

Overview of Law 306 - Tourism Investment Incentive Law

Law 306, The Tourism Investment Incentive Law, originally passed in 1999 and amended in 2003, applies to investments in the following areas:

1. Services of the hotel industry (hotels, motels, apart-hotels, condo-hotels).
2. Investments in protected areas of tourism and ecological interest, without affecting the environment, with prior authorization from the pertinent authority (MARENA, Ministry of the Environment and of Natural Resources).
3. Air transportation.
4. Water transportation (maritime, fluvial, and lake transportation).
5. Internal and receptive tourism; and ground collective tourism transportation.
6. Food, drink and amusement services.
7. Investment in filming of motion pictures and events beneficial for tourism.
8. Rental of ground and water vehicles to tourists.
9. Investments in tourism infrastructure and connected tourism equipment.
10. Development of Nicaraguan crafts, recovery of imperiled traditional industries, production of typical music events and of folklore dances, and publications and materials of tourism promotion.
11. Small, medium and micro corporations that operate in the tourism sector.

Benefits for qualifying businesses are for ten years and include, but are not limited to:

1. 80-100% Income Tax Exemption
2. 100% sales tax exemption on design/engineering and construction services.
3. 100% Property Tax Exemption
4. 100% exemption of import tax duties and sales tax on construction materials, furniture, equipment, vehicles, and equipment.

The full text of Law 306 is available below. For those interested in investing in Nicaragua, it should be noted that this law represents one of the most aggressive and comprehensive benefit packages in the world. Special note should also be taken of Article 6 which delineates further benefits for projects located in a "Tourism Planning and Development Special Zone", or Z.E.P.D.T.

Law 306

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NATIONAL ASSEMBLY OF THE REPUBLIC OF NICARAGUA

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MINISTRY OF ECONOMIC DEVELOPMENT, INDUSTRY AND TRADE

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THE NATIONAL ASSEMBLY OF THE REPUBLIC OF NICARAGUA

WHEREAS

I

That it is a duty of the State to create the conditions and promote adequate measures for the promotion and operation of tourism, within a sustainable development policy regarding the protection of the environment and the national culture.

II

That Nicaragua has bountiful natural beauty, such as: volcanoes, lakes, lagoons, rivers and hundreds of kilometers of exuberant and almost unknown beaches, which constitute a potential that merits its development in order to reach the level of growth attained by other countries of the world.

III

That to this end it is necessary to establish a simple, rational and rapid process, for the creation of tourism products in the country, that stimulates the economic growth of other sectors.

IV

That tourist activity is one of national interest having, basically, an exports character, which allows the inclusion of local labour, generating benefit for the economy and positive effects in the balance of payments of the country.

V

That it is necessary to adopt mechanisms to achieve the conjunction and co-ordination of the actions of the public sector and the private sector to promote the development of the Tourist Industry in Nicaragua.

In exercise of its authority:

DECREES

The following:

REPUBLIC OF NICARAGUA'S TOURISM INDUSTRY INCENTIVES LAW

**CHAPTER I
GENERAL PROVISIONS**

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

Art. 2. - The present Law has the purpose of granting incentives and benefits to natural or juridical persons, national or foreign who dedicate themselves to the tourism activity.

In order to comply with whatever is provided in the preceding article:

1) The Nicaraguan Tourism Institute (INTUR) and the Ministry of Finance and Public Credit should establish an adequate co-ordination between them, which permits the establishment of a simple, rational and rapid process to facilitate and expedite the development of the tourism activity in the country and the grant of the benefits of this Law.

2) The other Ministries of the State, Agencies of the Autonomous Entities of the State, having permanent joint relations with the national tourism activity, will provide the required and necessary collaboration to back-up INTUR and impel said development.

3) The Central Bank of Nicaragua (BCN) and INTUR will establish agreements and mechanisms that stimulate and support the financing as well as the public and private investment necessary for the development of the tourism activity.

**CHAPTER II
NATURE AND CHARACTER, DEFINITIONS**

Art. 3. The following natural and juridical persons dedicated and investing directly in tourism services and activities duly authorized by INTUR, may avail themselves of the incentives of this Law:

1) Services of the Hotel Industry (Hotels, Motels, Apart hotels, Condo-hotels).

2) Investments in Protected Areas of Tourism and Ecological interest, without affecting the environment, with prior authorization from the pertinent authority (MARENA), as well as in public places of tourism and cultural interest; jointly with historical preservation.

3) Air Transportation

4) Water Transportation (Maritime, Fluvial and Lake Transportation).

5) Internal and Receptive Tourism; and Ground Collective Tourism Transportation.

6) Foods, Drinks and Amusement Services.

7) Investment in filming of motion pictures; and in events beneficial for tourism.

8) Rental of ground and water vehicles to tourists.

9) Investments in Tourism Infrastructure and connected Tourism Equipment.

10) Development of Nicaraguan crafts; Recovery of imperiled Traditional Industries; Production of Typical

Music Events and of Folklore dances: and publications and materials of Tourism promotion.

11) Small, medium and micro corporations that operate in the Tourism sector, in all areas of the sector's activity.

The natural or juridical persons that directly invest in the development of tourism activities, or that participate indirectly by financing such activities, being such activities located in Special Zones of Tourism Planning and Development (Z.E.P.D.T.), defined as such by INTUR, shall also benefit of the exonerations and fiscal credits of the present Law.

The Benefits of concessions over areas or installations which are property of the State, where the Executive Branch, through INTUR, has an interest in the development of high quality tourism activity, can be equally obtained by the corporations willing to invest in said areas and operate said installations under the terms and conditions of a long term contract.

Art. 4. For all intents and purposes of this law, the following definitions are established:

4.1. Tourism Activity in Services of the Hotel Industry: The ownership and/or the administration of installations providing services for tourists and visitors for public occupancy through payment, jointly or not, with other tourism activities. Said activity varies depending on the category of services, type of installations and type of ownership, as follows:

4.1.1. Major Lodging Facilities: Installations of the Hotel Industry of Major Class, which comprise Hotels, Condo-Hotels, Apartment-Hotels, timesharing Occupancies, and Motels. Such installations will have no less than fifteen (15) habitat units for lodging and will be operated under the norms and sanitary and efficiency conditions dictated by INTUR and as per the Hostelry Regulations.

4.1.1.1. Hotels: Lodging installations for guests in transit, in a building, part of the same or group of buildings, approved by INTUR to provide complete food service, cleaning and other services, accessory and connected with the tourism activity, which fulfill the lodging and operation requirements for Major Lodging Facilities and the Hostelry Regulations.

4.1.1.2. Condo-Hotels: Set of habitat units in a building or group of buildings where each unit is obtained within a tourist regimen of horizontal property, which fulfill the operational and lodging requirements for Major Lodging Facilities and the Hostelry Regulations.

4.1.1.3. Apart-Hotels: Set of habitat units in a building or group of buildings, equipped with individual ranges where partial services are provided for cleaning, but not necessarily food, and which comply with the requirements of Major Lodging Facilities and Hostelry Regulations.

4.1.1.4. Time Shared Lodging: installations, in buildings or group of buildings, subject to contractual patterns and regulations through which usage rights are acquired over the premises by different persons, in different periods of the year. Such installations may qualify under this Law if it complies with the requirements for Major Lodging Facilities and Hostelry Regulations.

4.1.1.5. Motels: Installations oriented towards automobile travelers and tourists that, due to their location on highways and the proximity of parking spaces to the rooms, with cleaning services, but not necessarily food services, which for the effects of this Law comply with the requirements for Major Lodging Facilities and Hostelry Regulations.

4.1.2.1. "Stop-Inns of Nicaragua" ("Paradores de Nicaragua"): A trademark registered by INTUR and seal of quality granted by INTUR to distinguish those lodging installations, of a small or medium size, with complete services of cleaning and food, oriented to the traveling tourist, which stand out as inviting and picturesque, due to its modern accommodation, excellent service, economic rate, international quality and traditional regional food, and above all, a total and excellent architectural harmony with the cultural-historical and/or nature-ecological surroundings. They will qualify under this Law as well as for other benefits of the "Paradores de Nicaragua" program, if they comply with the Hostelry Regulations.

4.1.2.2. Paradores de Nicaragua Program: A program patronized by INTUR to foment and stimulate, with the incentives of this Law and other specific promotion and marketing measures prepared and implemented without cost by the Institute, the creation of a national network of Paradores, which can be new hotel installations, or the existing ones whenever their owner undertakes new investments for the purpose of improving and remodeling said installations in order to qualify under the norms applicable to the Paradores de

Nicaragua promoted with the quality seal of INTUR as per Hostelry Regulations.

4.1.3. Minimal Lodging Facilities: Small and/or specialized lodging establishments, including Family Hostelrys, Lodging Houses, Cabins, Guest Houses, or Rooming Houses. Camping and caravanning Areas. They will qualify under this Law if they comply with the Hostelry Regulations.

4.1.3.1. Family Hostelrys: Small lodging establishments, in rural or urban zones, operated by an individual or a family, with home like dining services.

4.1.3.2. Lodging Houses: Lodging in tourist areas with minimum cleaning and food services, and of an economic character.

4.2.3.3. Cabins: Group of individual buildings in tourist areas and beaches, with partial services not necessarily of cleaning and food.

4.1.3.4. Guest Houses and Lodgings. Economic and family lodgings in urban zones, with or without food service.

4.1.4. Camping and caravanning Areas: Places with camping installations to park vans and similar towing vehicles for lodging, equipped with cleaning services, drinking water and electricity, and other minimal services for travelers. They will qualify under this Law if they comply with Hostelry Regulations.

4.1.5. Hostelry Regulations: Document prepared by INTUR that determines the terms and conditions under which different categories of the hotel industry qualify for purposes of this La and which defines the promotional programs of Paradores de Nicaragua. The Regulations establish different norms for:

1) Hotels and other installations, which consist of Condo-Hotels, Apartment hotels, Time Shares Lodgings and Motels for Traveling Tourists;

2) Installations considered "Paradores de Nicaragua".

3) Minimal Hostelrys, which are installations which include Family Hotels, Inn-Houses, Cabins, Guest Houses et al.

4) Camping Areas,

4.2.1. National System of protected Areas (SINAP): Protected Areas System managed by the Ministry of the Environment and of Natural Resources (MARENA), which incorporates more than seventy (70) locations in the three (3) Ecological regions (Pacific, Central, Las Segovias and Atlantic) of Nicaragua, classified in ten 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 Land and Marine Scenery;
- 9) Biosphere Reserve;
- 10) Forestry Reserve.

SINAP management plans by MARENA contemplate the possibility of low impact ecotourism activities in categories 1 and 3; and tourism activities in categories 2,4,6,8 and 9; no tourism allowed in categories 5 and 10.

4.2.1.1. National and Historical Monuments: Areas which are part of the Protected Areas of the National System (SINAP) under the management plan of MARENA. The areas designated as National Monuments, such as Archipelago of Solentiname, have outstanding natural and cultural characteristics, scenic beauties of national and international interest, of great value because of the rareness of their characteristics. The areas designated as Historical Monuments, such as El Castillo de la Inmaculada Concepcion, are destined for the restoration of well-known sites with historical value, archeological and cultural sites of national importance

which are associated with natural areas. These sites include ruins and historical buildings that are intended to be preserved.

4.2.1.2. National Parks: Areas, which are part of the National System's Protected Areas (SINAP) under the MARENA management plan. Area currently designated as National Parks, such as Saslaya, Archipelago de Zapatera and Masaya Volcano are relatively large and include ecosystems, habitats, scenery, scenic and special beauties of national and international importance.

4.2.1.3. Protected Areas of Tourism and Ecological tourism Interest: Those SINAP areas where the possibility of tourism activity is intended, under the category of "protected Land and Marine Scenery" and "Biological Reserves"; and the possibility of low impact ecotourism activities, under categories "Biological Reserves" and "Wildlife Refuges"

4.2.2. Tourism and Cultural Interest Sites: Areas such as municipal parks, museums, archeological parks, public thoroughfares, no necessarily designated by SINAP managed by MARENA or in other designated facilities maintained by the Nicaraguan Culture Institute (INC), such as the National Cultural Patrimony, or by the Municipalities, that because of their tourism and/or cultural interest, have been approved by INTUR for investments that benefit their owners as income tax deductible expenses under the terms of this Law.

4.2.3. Settings of Historical Preservation: Spaces combining private and/or public properties, located and urban and other areas, that could or not be integrated as National and/or Historic Monuments that can or not be integrated to Tourism and Cultural Interest Public Sites, which, because they deserve to be preserved as a whole, in a cultural/historic interest, as well as tourism, can be approved by INTUR, in agreement with INC, for investment which benefit their owners under the terms of this Law.

4.2.3.1. Historical Preservation Sites Regulations: A document prepared by INTUR, in agreement with INC, dictating the conditions under which investments and donations for projects of Setting of Historical Preservation, qualify for the effects of this Law.

4.3. Air Transportation Tourism Activity: Services provided by companies involved in air transportation of persons within the national territory and whose contribution to National Tourism is certified by INTUR for the effects of this Law.

4.4. Water Transportation for Tourism Activities: Services provided by companies dedicated to water transportation of persons within the national territory and whose contribution to tourism function is certified by INTUR, and all activities of the persons, natural or juridical, dedicated to aquatic sports for tourism and entertainment purposes, through hydro-boats, boats for sport fishing, yachts, sailboats and non motorized boats, or other entertainment accessories, such as surf and sail boards, water skies, diving equipment, and others, used for water sports, and for the effects of this Law.

4.5. Internal and Receptive Tourism activities; and of collective Tourism Land Transportation; Services provided by companies, known as Tour Operators, dedicated to operate internal and receptive tourism within the national territory; and by companies transporting persons between airports, docks, hotels and other tourist destinations, inside and towards the border posts of the Republic of Nicaragua; and whose contribution to tourism's function is certified by INTUR for the effects of this Law.

4.6. Tourism activities in Food, Drink and Amusement Services: the ownership and/or administration of installations providing food, drink and amusement services for tourists and visitors in restaurants, bars, "Tourist Eateries", discos, night clubs and casinos, which can demonstrate their ties mainly with tourism and which are declared of tourism's interest by INTUR. Such facilities shall qualify under this Law if they comply with the Food, Drink and Amusement Regulations.

4.6.1. "Mesones de Nicaragua" a registered Trademark by INTUR and seal of quality granted by INTUR to distinguish those installations of food and drink services, known as inviting and picturesque, for their traditional and/or regional quality cuisine, for the hygiene and cleanliness characterizing its operations and installations, excellent service, reasonable rates, and also by their excellent harmonizing of their interior and exterior architecture and decorativeness with the environment in which they are located. Such facilities shall qualify under this Law, and for other benefits of INTUR' s Program of "Mesones de Nicaragua", if it comply with the specific requirements pertaining "Mesones de Nicaragua" in the Food, Drink and Amusement Regulations.

4.6.2 "Mesones de Nicaragua Program": a program sponsored by INTUR to foment and stimulate with the incentives of the Law and other specific measures of promotion and marketing prepared and implemented

without cost by the Institute, the creation of a national network of "Mesones" dedicated to the taste and/or gastronomy of traditional and regional cuisine, that can be installed new, or the existing ones, when their owners undertake new investments with the purpose of improving and remodeling said installations to qualify under the norms and criteria concerning Mesones de Nicaragua promoted with the INTUR seal of approval in the Food, Drink and Amusement Regulations.

4.6.3. Food, Drink and Amusement Regulations prepared by INTUR which dictates the norms and conditions under which, the various tourism activity in services of food, drinks and amusement qualify for the effects of this Law, and which define the promotional program of Mesones de Nicaragua. The Regulations established different norms for:

- 1) Restaurants with and without Bars.
- 2) Installations called "Mesones de Nicaragua".
- 3) Discotheques and Night Clubs.
- 4) Casinos, Installations of Racetracks for races with Betting Systems and other Gambling Games.

4.7.1. Filming of Motion Pictures for the benefit of Tourism: Production by companies within the national boundaries dedicated to filming long length motion pictures, oriented to the International Market, and which are transmitted abroad, and whose benefits and contribution to the tourism function are certified by INTUR for the purposes of this Law.

4.7.2. Artistic, Sports and other Events which benefit tourism: Production by corporations which within the national boundaries are dedicated to the production of artistic, sports and other events, oriented to the international market, and which are transmitted abroad, with the condition that, during and at the end of the event, they portray images that promote tourism to Nicaragua, and whose contribution and benefit for the tourism activity is certified by INTUR for the purposes of this Law.

4.8. Tourism activity in the leasing of Land and water vehicles: Services offered by natural or juridical persons, who have or want to have a fleet with a minimum of twenty (20) land vehicles or in the case of water vehicles, of a minimum of one (1) vehicle or ship, except that for rental of water motorcycles, the minimum is of six (6) vehicles, with the condition that all of these vehicles are dedicated to be rented to the public for pre-established periods of time.

4.9. Tourism connected Activities and Equipment: The ownership and/or administration of installations providing services for tourists and visitors for activities connected to tourism which are not tourism activities in the Service of the Hotel Industry, investments in Monuments, Sites and Settings of Historical Preservation, and the service of food, drinks and amusements, which although not connected with said activities, are authorized and certified by INTUR, and for the purposes of this Law.

Among such activities and connected tourism equipment, are included: work and equipment for the development of infrastructures related with a tourism project approved by INTUR under this Law, such as airports, docks, accesses, provision of water, energy and telephones, sewage treatment plants; rehabilitation of public installations related to recreation and tourism; training and vocational learning in tourism services; installations such as golf courses, tennis courts and for other tourism sports such as target shooting, model airplanes, racetracks, and riding centers; convention and conference centers, private museums, and zones of archeological exploration and investigation, with the condition that they are managed with due consultations and authorization from INC; theme parks, Aquariums and Marines; ecological, botanic and submarine parks and installations, installations for diving and submarines sports, with the condition that such facilities are operated with due consultation and authorization from MARENA; Tourism installations in areas of caves and caverns, of forests and mangroves, canyons and reefs, and of thermal waters installations for the operation of ecological tourism and tourism specialized in adventure, parachuting, alpinism, air globes, and any other, as provided by INTUR.

4.10.1. Development of Nicaraguan Crafts: Activities on the part of natural or juridical persons dedicated to the elaboration or fabrication of individual crafts, crafts production, and the trade of sale and resale of decorative and/or utility objects, hammocks, artisan furniture, hats, clothes, typical decorations and accessories, and popular traditional art, excepting those made by crafts pertaining to the tobacco industry. Artisan crafts are closely related and of great importance to tourism, therefore INTUR proposes to encourage the production and trade of the same. For the purpose of this Law, Nicaraguan Artisan Crafts are those crafts, artisan objects, and products of traditional popular arts such as ceramics, paintings and sculpture, which are made exclusively by hand and/or with hand tools and exclusively inside the territory of Nicaragua, which include those distinguished by creations called and classified as Plastic Arts or "Fine Arts".

4.10.2. Recovery of Imperiled Traditional Industries: Activity on the part of natural or juridical persons, which,

as well as crafts, are considered closely related and of importance for tourism, and being in danger of extinction, INTUR together with INC, is interested in its recovery and reviving with the incentives of this Law. This means, for example, the operations, the artisan and repair manufacturing and rehabilitation of carriages, carts drawn by horses, as well as ironworks of colonial arts and crafts, and the restoration of pre-Columbian and/or Colonial art.

4.10.3. Production of Typical Music and Folklore Dance Events: Activities on the part of artists and popular artists associates in typical music and folklore dances, which are considered equally related and of importance for tourism. And which INTUR in conjunction with INC, is interested in sponsoring and promoting throughout the national territory.

4.10.4. Publications and Tourism Promotional Materials: All types of printed matters, books, maps and guides, postcards, photographs, posters and other video graphic and acoustical (tapes, cassettes, compact discs, etc.) produced and distributed without cost or for sale, with the purpose of promoting tourism.

4.10.5. Registry of Artisans and Traditional Industries: Registry of Typical Music and Folklore Dance: double Registry or in two (2) parts, maintained by INC of all artisans and musical and dance artists, and individual or juridical groups of this sort, including persons dedicated to such Traditional industries. To enter and belong to the Registry, persons should demonstrate that they are exclusively or primarily dedicated to the artisan occupation which they perform and that they comply with the IRC's Artisans and Musical Artists and Folklore Dance Regulations. Accordingly on its part, INC will maintain and updated Registry continually, or at least annually revised for the purpose of qualifying the beneficiaries of this Law. In the case of persons or corporations dedicated to the resale of artisan products, they will appear in the Investment Registry maintained by INTUR.

4.11.1. Nicaraguan Tourist Regions: The six (6) regions of the National Territory identify by their tourism development potential in the extensive study completed by the Ministry of Tourism in 1995, which serve as a pragmatic base to establish the present national tourism development policy.

4.11.2. Special Zones of Tourism Planning and Development (Z.E.P.D.T.): Zones of particular tourism interest which are part of the six (6) Tourism Regions of Nicaragua and which are so classified by INTUR with the purpose of guiding and planning the development of such zones of maximum priority for the national development of tourism, through the Master Plans for the use of land and infrastructure, and of general and/or specific guidelines to facilitate and direct public and private investments in such areas. INTUR recognizes four different types of Z.E.P.D.T.

1) Zones of National Strategic Interest for tourism, which are those lacking the basic infrastructure for its development.

2) Special Zones of interest to tourism due to their Urban/Cultural/Historic Context, with Master Plans being prepared by INTUR with the participation of INC, and of the interested Municipalities.

3) Special Zone of interest to tourism due to their Urban/Cultural/Ecological Context, with Master Plans being prepared by INTUR with the participation of MARENA, and the interested Municipalities.

4) Special Zones of interest to tourism of a Pointed Character, which are small areas that without requiring the preparation of a Master Plan, merit attention and special treatment as tourism resources.

4.12 Tourist Concessions: Contracts granted by the Executive Power, through INTUR, to the private sector to develop and/or operate installations and services of public tourism activities, in areas that are property of the State or of INTUR.

4.13 Registry of Tourism Investments: Official Registry created and kept by INTUR, where natural or juridical persons are registered who wish to take advantage of the regimen of incentives to which this Law refers, are thereby registered..

4.14 Rights and Taxes: Under "Rights" it is normally understood as the Import Fee Right (D.A.I.), and the Temporary Protection Fee (A.T.P.); under "taxes", it is normally understood, the Specific Consumer Tax (I.E.C.) and the ad-valorem General Tax. (I.G.V.).

CHAPTER III

INCENTIVES AND BENEFITS

Art. 5.- In order to promote investments in tourism activities, INTUR will grant the following incentives and fiscal benefits:

5.1. Companies providing services to the Hotel Industry, which invest in the construction, remodeling, additions, equipment, rehabilitation and development of Hotels, Motels and other similar installations such as Condominium Hotels, Apartment Hotels, etceteras, as per the Hostelry Regulations of INTUR with a minimum of fifteen (15) rooms, and whose minimum investment, per project and including the value of the land, will be in dollars or their equivalent in national currency:

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

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

If said investment qualifies under INTUR's Paradores de Nicaragua Program, the minimum investment is reduced to Two hundred thousand dollars (US\$200,000.00), or its equivalent in national currency, in the urban area of Managua, and Eighty thousand dollars (US\$80,000.00), or its equivalent in national currency, in the rest of the Republic. In the case of Minimal Hostelrys, such as hostelrys, Inns, cabins, etc., the minimum investment 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 its equivalent in national currency, in the Departments. In the case of camping areas (camping and caravanning), minimal conditions are reduced in the investment to One hundred thousand dollars (US\$100,000.00), or its equivalent in national currency. In the case of Hotels and Minimal Lodging Facilities already established which make investments of 35% of the value of the same, which are providing services, and have authorization and quality seal from INTUR, will also benefit from the incentives granted by this Law.

5.1.1. Exoneration from Fees and Import Taxes and of the General Value Tax (I.G.V.) In local purchases of construction materials and fixed accessories of the building. The materials and accessories to be exonerated must be used in the construction and equipment of the hostelry services, and said exoneration will be granted if these articles are not produce locally, or are not produced in enough quantity or quality.

5.1.2. Exoneration from import fees and taxes and or the General Tax on Value (I.G.V.) in the local purchase of utensils, furniture, equipment, boats, twelve (12) passengers or more motor vehicles, for cargo, which are declared as needed to establish and operate tourism activity by INTUR, and in the purchase of equipment contributing to the saving of water and energy, and those necessary for the security of the project, for a period of ten (10) years as the date on which INTUR declares that said company has started operations.

5.1.3. Exoneration from the tax on Real Estate (I.B.I.) for a period of ten (10) years as of the date on which INTUR has declared that the activity for tourism has begun, operations. This exoneration will only cover real estate properties of the company, used exclusively in activities of tourism.

5.1.4. Exoneration from the General Tax on Value (I.G.V.), applicable on services of design/engineering and construction.

5.1.5. Partial exoneration from eighty percent (80%) of Income Tax, for a period of ten (10) years, as of the date on which INTUR declares that said company has begun operations. If the project is located in a Special Tourist Planning and Development Zone, the exoneration will be of ninety percent (90%). If the project qualifies and is also approved under the Paradores Program, the exoneration will be of one hundred percent (100%). The company will have the option of deferring annually, up to a period of three (3) years the applicability and initiation of the exoneration period of ten (10) years of said tax.

5.1.6. Within the period granted for exoneration's, is the company decides to make an addition and/or substantial renewal of the project, the exoneration period will be extended for an additional ten (10) years, as of the date on which INTUR declares that the company has completed said investment and addition. In this case, the addition project will be submitted as if it were a new project, and the minimum investment should be of over thirty five percent (35%) of the approved investment initially made. The extension of the exoneration of taxes will then be applied for a new period of ten (10) years, for the total tourism activity of the company in the project.

5.1.7. For these companies investing in tourist installations which comply with the criteria and special norms under the Program sponsored by INTUR to foment and stimulate the creation of a national network of "Paradores de Nicaragua", there will be free specific incentives for promotion and marketing, prepared by the

Institute, in the form of advertising and publications in national and international fairs, leaflets, brochures and maps, connection to an efficient reservations system, promotion in the Internet, etc.

5.1.8. For purposes of computation of depreciation of the assets, it will be made as per the Taxation and Commercial Justice Law and its Regulations.

5.2. Those natural or juridical persons investing in private projects, of improvements, promotion and training of the tourism activity, located within the SINAP protected areas designated as National and Historic Monuments, National Parks, Other Protected Areas of Interest for Tourism, and Public Sites of Tourism and Cultural Interest, and in the restoration of private properties which are a part of the Historic Preservation Enclave, authorized by INTUR in agreement with INC; which comply with the established architectonic norms for historic conservation, and ecological protection, as the case may be, and by the corresponding institution(s), and whose minimum investment is made in dollars, or their equivalent in national currency: One hundred thousand dollars (US\$100,000.00), or its equivalent in national currency, including the value of the land and the structure, in the case of private properties within Historic Preservation Enclaves. Forty thousand dollars (US \$40,000.00), or its equivalent in national currency, for projects in SINAP protected areas. The amount in dollars, or its equivalent in national currency, to be determined by INTUR for contributions in improvement, promotion and training projects, in public areas within the Historical Preservation Enclaves, in SINAP areas, and other Public Sites of interest for tourism.

5.2.1. Exoneration from Real Estate Taxes (I.B.I.), for a period of ten (10) years, as of the date on which INTUR certifies that the job has been completed, and that the norms and conditions established for the project, have been complied with.

In the case of a partial restoration of a property located within a Historical Preservation Enclave, that is the external restoration or only the front, but which includes improvements planned for the sidewalk and the planned public illumination system. Complying with the norms of the restoration plan as a whole, in which case, a minimum investment is not required, an exoneration from Real Estate Taxes (I.B.I.) will be granted for a period of five (5) years, as of the date of certification by INTUR, and of the corresponding institution(s).

5.2.2. Exoneration from Income Tax on the profits derived from the INTUR authorized tourism activity, or of the rental payment to third parties, in restored properties in Historical Preservation Enclaves, for a period of ten (10) years, as of the date on which INTUR certifies that the job has been completed, and that the norms and conditions for the project have been complied with.

5.2.3. One time only exoneration from the import fees and taxes, and of the General Tax on Value (I.G.V.) in the local purchase of materials, equipment and parts, used for the construction, restoration or equipping of the property.

The materials and equipment to be exonerated must be used in the construction and equipping of the buildings that are being restored and such exoneration will be granted, if these articles are not produced in the country or are not produced in sufficient quantity or quality.

5.2.4. Exoneration from the General Tax on Value (I.G.V.) applicable to services of design/engineering and construction.

5.2.5. Within the period granted for exoneration's, if the persons wish to obtain an extension of the same, they must apply so to INTUR. Accordingly, to that effect, an inspection of the place to verify the state and current conditions of restoration of the property, in order to ascertain improvements required by INTUR, together with the other corresponding institutions, to obtain an extension of the exoneration as per the Historical Preservation Enclaves Regulations. A period of time will be granted to execute the required improvements, and once completed, if they comply with the established requirements, they will be granted an extension for the Real Estate Tax (I.B.I.), and of the Income Tax, for an additional period of ten (10) years.

5.2.6. The lack of compliance, in the opinion of INTUR, with the architectonic norms, and the established historical conservation for Historical Preservation Enclaves, on the part of the beneficiaries, shall be cause for the immediate suspension of all granted exoneration's, as well as possible sanctions, as per terms established by the Regulations of this Law.

5.2.7. For contributions from natural or juridical persons which decide to participate economically in the realization of a public interest project, such as the restoration and or maintenance and illumination of monuments and buildings, municipal parks, museums, archeological parks, en National and Historical Monuments, National Parks and other Protected Areas of interest for Tourism, in public sites of Tourist and

Cultural interest, in the Historical Preservation Enclaves, as well as in projects for the promotion and training in the development of activities for tourism, that have been approved by INTUR, in agreement with INC, and/or other pertinent State Entities and Municipalities, in which cases the minimum investment shall be established by INTUR, a deductible expense can be considered from Income Tax of the total amount invested, with the corresponding certification from INTUR, as to the amount of the investment and the completion of the project.

5.3. For Air Transportation companies, whose contribution to Tourism is certified by INTUR, the exoneration of import fees and taxes and/or General Tax on Value (I.G.V.) in the local purchase of:

5.3.1. Aviation equipment: Computer and Telecommunications materials; and other equipment related directly to aviation and the services provided to the passengers.

5.3.2. Promotional, advertising material and stationery for the exclusive use of the air transportation company.

5.3.3. Equipment necessary for the attention of ramp services.

5.3.4. Aviation fuel of any kind.

5.4. To natural or juridical persons dedicated to the activity of Water Transportation;

5.4.1. Exoneration from Import fees and taxes, of from the General Tax on Value (I.G.V.) in the local purchase of new boats for twelve (12) or more seats, and new accessories used for collective maritime transportation of passengers.

5.4.2. Exoneration from Import Fees and Taxes, except for the (I.G.V.) for the importation of hydro boats, recreational boats for tourism purposes, yachts, sail boats, fishing vessels, fishing gear and non motorized boats and other recreational accessories (such as surf and sail boards, skis, diving equipment, etc.) used for water sports.

5.4.3. Exoneration from taxes, duties and services, in concept of arrival and dockage for yachts for tourists, who visit Nicaraguan ports, whose stay does not exceed ninety (90) days.

5.5. To companies involved in the operation of internal and receptive tourism (Travel Agencies) and Collective Tourism Land Transportation between airports, docks, hotels and other tourist destinies in the Republic of Nicaragua.

5.5.1. Exoneration from import fees and taxes and of the General Tax on Value (I.G.V.) of new and used vehicles in perfect mechanical condition, such as buses, mini-buses of twelve (12) passengers or more; of new four-wheel drive vehicles for more than six (6) passengers and in such case only those used exclusively by Tours Operators, specialized in hunting and adventure; and of promotional and advertising material, provided the companies have been authorized by INTUR, and the vehicles have been declared by INTUR, as necessary for the operation of said activity, with a prior favorable opinion issued by the Ministry of the Treasury and Public Credit.

5.5.2. Exoneration from import fees and taxes and of the General Tax on Values (I.G.V.), in the acquisition of computer equipment and accessories. The same treatment will be granted to telecommunications equipment, or any other having a direct and necessary relation with the service of internal or receptive tourism.

5.5.3. Exoneration from import fees and taxes and of the General Tax on Values (I.G.V.) in the acquisition of hunting fire arms, ammunitions, and sports fishing gear.

5.6. To those companies dedicated to the service of Food, Drinks and Amusements in Restaurants, bars, gastronomical eateries, discotheque and night clubs, whose minimum investment, including the value of the land, is of One Hundred Thousand dollars (US\$100,000.00), or its equivalent in national currency, within the urban area of Managua and Thirty Thousand dollars (US\$30,000.00), or its equivalent in national currency in the rest of the Republic. In the case of casinos, these should be allocated within the package of hotels of one hundred (100) or more rooms. In the case of Restaurants, Night Clubs, Bars, and Discotheques, Casinos already established which make an investment of 35% of the value of the same, which are providing services, and have INTUR's authorization and seal of quality, will also enjoy the incentive provided by this Law.

5.6.1. Exoneration from import taxes and/or the General Tax on Value (I.G.V.) in the local purchase of construction materials, and fixed accessories of the building.

Materials and accessories to be exonerated, must be used in the construction and equipping of the installations and shall be granted if such articles are not produced in the country, or are not produced in sufficient quantity and quality.

5.6.2. Exoneration of import fees and taxes and/or the General Taxes on Value (I.G.V.) in the local purchase of articles, furniture, equipment, boats and/or motor vehicles for twelve (12) or more passengers, new or used in perfect mechanical condition and for cargo that are declares as necessary to establish and operate the Tourist Activity by INTUR, and in the purchase of equipment contributing to the saving of water and energy, and of those necessary for the security of the project, for a period of ten (10) years, as of the date on which INTUR declares that said company has begun operations.

5.6.3. Exoneration of taxes on Real Estate (I.B.I.), for a period of ten (10) years as of the date on which INTUR declares that said company has begun operations. This exoneration will only cover company owned Real Estate that is used exclusively for Tourism.

5.6.4. Exoneration of the General Tax on Value (I.G.V.) for services of design/engineering and of construction.

5.6.5. For depreciation computing purposes on real estate, the rules to followed will be as per the Taxation and Commercial Law and its Regulations.

5.6.6. For such companies that invest in tourist installations, which comply with the criteria and special norms sponsored by INTUR, to foment and stimulate the creation of a National Network of "Mesones de Nicaragua", dedicated to the taste and gastronomy of traditional and regional cuisine, they will be granted free specific incentives by the Institute, in the form of publicity and advertising, in national and international fairs, leaflets, brochures and maps, Internet promotion, etc.

5.7. To those companies which within the national territory, perform such activities as the filming of long run motion pictures, that have an international character, of Artistic and Sports Events, and others of an international nature, and of general benefits for tourism, which are transmitted abroad, promoting tourism in the Republic of Nicaragua:

5.7.1. Total exoneration of taxes on profits derived from profits from said production or event.

5.7.2. Exoneration from any national or municipal tax regulating production or the event.

5.7.3. Temporary exoneration of import fees and taxes of any kind over the import of equipment, gear, parts, technical material, imported by the communications and Production Company, for transmission to other countries, and of all the material used during the event, which should be re-exported upon finalizing the activity.

5.7.4. Exoneration from Income Tax to national and foreign athletes and artists, who participate in said production and events.

5.8. To new or existing companies dedicated to the Rental of Land or Water Vehicles, to tourists, duly authorized by INTUR;

5.8.1. Exoneration, every two (2) years, of the import fees and taxes and from the General Tax on Values (I.G.V.), for the purchase of new vehicles intended for rental to tourists, with the prior favorable opinion from the Ministry of the Treasury and Public Credit. These vehicles will be duly identified with a distinctive label provided by INTUR, without prejudice of the documentation corresponding to the Ministry of Construction and Transport, or other related Entities.

5.8.2. Exoneration every two (2) years of import fees and taxes from the General Tax on Value, in the purchase of computers, its accessories, and other telecommunication equipment used in operations for the car rental company.

5.9. To Companies investing in Tourist Activities and Equipping, related to the construction, equipping, development of access infrastructure, provision of water, energy and telephones, treatment, rehabilitation and vocational training, and capacity in tourism and entertainment, golf courses, and tennis courts, included in tourist complexes, and other tourist related sports such a target practice, racetracks and riding centers, convention centers, theme parks, museums and archeological zones, ecological, botanic and zoological parks, centers specialized in Adventure Tourism, hunting, parachuting, flying in balloons, hiking and ecological

tourism in general, airports, docks, aquariums and marinas, which obtain the specific approval from INTUR, and whose minimum investment per project, including the value of the land, is in dollars, or its equivalent in national currency:

Two hundred fifty thousand dollars (US \$250,000.00), or its equivalent in national currency, in the urban area of Managua. One hundred thousand dollars (US \$100,000.00), or its equivalent in national currency, in the rest of the Republic.

If said investment is made in a project to be developed jointly with investments that qualify under the present Law, as investment in the tourist hotel activity (Art. 5.1 supra), in monuments and historical enclaves (Art. 5.2. supra), and in services of food, drinks and amusement (Art. 5.2. supra), said minimum investment of Two hundred fifty thousand dollars (US\$250,000.00), or its equivalent in national currency, in the urban area of Managua, and of One hundred thousand dollars (US\$100,000.00), or its equivalent in national currency, outside said area, it is applied to the whole of the investment.

5.9.1. Exoneration from import Fees and Taxes and of the General Tax on Values (I.G.V.) for a period of ten (10) years, in the acquisition of materials, equipment and accessories necessary for construction, equipping, and development of the tourist activity, with the prior authorization by INTUR, and in the purchase of equipment contributing to the saving of water and energy, and of those necessary for the security of the project. The materials and accessories to be exonerated, must be used in the construction and establishment of the tourist activities and equipping, and will be granted if these articles are not produced in the country, or are not produced with sufficient quantity or quality.

5.9.2. Exoneration from Real Estate taxes (I.B.I.), for a period of ten (10) years, as of the date on which INTUR certifies that the work has been completed and that the conditions and norms established for the project have been complied with.

5.9.3. Exoneration from the General Tax on Values (I.G.V.), applicable to services of design/engineering and construction.

5.9.4. Partial Exoneration from eighty percent (80%) of Income Tax for a period of ten (10) years, as of the date on which INTUR declares that the company has started operations. If the project is located within a Special Tourism Planning and Development Zone, the exoneration will be of ninety percent (90%). If the connected tourist activity is developed under the Paradores de Nicaragua Program the exoneration will be of one hundred percent (100%). The company will have the option of deferring annually, and for up to a period of three (3) years, the application and initiation of the exoneration period of ten (10) years from said tax.

5.9.5. Within the period granted for the exoneration's, if the company decides to make an addition and/or substantial renovation of the project, the exoneration period will be increased for an additional ten (10) years, as of the date on which INTUR declares that the company has completed said investment and addition. In such case, the addition project will be submitted as a new project and the minimum investment must be more than thirty five percent (35%) of the investment initially approved and completed. The extension of the exoneration from taxes will be then applied for a new period of ten (10) years, to the entire tourist activity of the company in the project.

5.9.6. Exoneration for ten (10) years from taxes of any kind applicable on the use of docks or airports constructed by the company. These facilities can be used by the State, without cost.

5.9.7. For purposes of depreciation computation on real estate property, the Taxation and Commercial Justice Law and its Regulations will apply.

5.10. For natural or juridical persons dedicated to activities for the development of National Artisan Art, the Recovery of Imperiled Traditional Industries, and the production of Musical, Typical of Folklore Dance Events and the production and sales of publications, manual arts works and Tourism Promotional Material:

5.10.1. Exoneration of import fees and taxes and from the General Tax on Values (I.G.V.), in the acquisition of graphic materials and products and promotion leaflets for the promotion of tourism, and of materials and equipment used exclusively for the production of artisan works, ships, such a kilns, carpentry equipment as well as for carving stone, sculptures, specialized equipment and utensils in the production and use of traditional coaches and carts drawn by horses, the musical equipment and instruments used exclusively for the production of folklore events and typical music, with the prior joint authorization from INTUR. The materials and equipment to be exonerated must be used in the production of said artisan works and events, and said exoneration shall be granted if these articles are nor produced in the country, or are not produced in sufficient

quantity and quality.

5.10.2. Exoneration from General Tax on Value (I.G.V.), on the sale of artisan art made by the artisan selling them, on sales by natural or juridical persons dedicated to the traditional industries, and by those exclusively dedicated to the sale and resale of national artisan hand made works, with a unit price for the artisan making them or for the one reselling them is not over three hundred dollars (US\$300.00) or its equivalent in national currency with the condition that said persons invest a minimum of Fifty Thousand dollars (US\$50,000.00), or its equivalent in national currency, in the installations, including the price of the land and buildings, expenses for improvement of the property, and for the purchase of the initial inventory of artisan works, or their equivalent in national currency, for the creation of stores exclusively dedicated to the sale of artisan works.

This exoneration from the General Tax on Value (I.G.V.) is also extended, without limit as to the quoted price, to the production and rehabilitation of coaches and carts drawn by horses, and to the production of other traditional industries approved by INTUR, and to the sale of traditional typical musical events and folklore dances by individual or groups of artists. The period of exoneration will be counted with respect to artisans and artists or groups of artists in folkloric activities, as of the date in which said artisans, artists or groups registered in the "Registry of Artisans and of Traditional Industries" and in the "Typical Music and Folkloric Dance Registry" of INC, as per Regulations of this Law; and with respect to commercial centers for artisan works, for a period of ten (10) years, as of the date that INTUR certifies that the initial minimum investment requirement has been complied with and that the operation of the business has begun. The exoneration is conditioned to the fact that no artisan work with an individual price of over Three hundred dollars (US\$300.00), or its equivalent in national currency is sold directly by the artisan who made it or sold by a natural or juridical persons who is reselling it.

5.10.3. Exoneration from the Real Estate Property Tax (I.B.I.) for a period of ten (10) years, as of the date on which INTUR certifies that the project has been completed.

5.10.4. Exoneration from the General Tax on Value (I.G.V.) applicable to services of design/engineering and construction, and to services of production and distribution of graphic products, publications and materials for the promotion of tourism, approved by INTUR.

5.10.5. Complete exoneration of Income Tax, as to the profits generated by their trade to artisans, traditional industries shops, and musical and dance artists, for a period beginning de date of registration in the INC' s Registries; and partial exoneration of eighty percent (80%) of Income Tax, for persons and corporations dedicated to the business of sales of artisan works, for a period of ten (10) years, as of the date on which INTUR declared that said activity has begun operations.

5.10.6. Non compliance on the part of the artisans who stop selling directly and exclusively their own production or on the part of the businesses that sell artisan works and other non-Nicaraguan articles not hand made, shall cause the immediate and permanent suspension of all exoneration's granted, as well a the definitive exclusion from the INC' s Artisan Registry; and other possible sanctions under this Law and its Regulations.

Art. 6. The Executive Branch, through INTUR, may declare as "Tourism Planning and Development Special Zones" (Z.E.P.D.T.) as per numerals 4.11.2 of Article 4 of this Law. Among said zones, are those areas offering special conditions for the attraction of tourism, but lacking the basic infrastructure for its development. In view of these considerations, these are zones where strategic "national interest" projects for tourism, may benefit from additional incentives. Within those Special Zones, there are specific areas promoted by INTUR as per Master Plans and Guides prepared jointly with INC and MARENA, to promote tourism en such areas designated as sources of tourism development, either by the interest and urban/cultural/historical context, or their natural environmental and ecological context.

Finally, there are the Special Zones of a Pointed character, which are those areas of a smaller territorial extension, which merit special attention and treatment as a tourism resource. To foment tourism with tourism projects, in said special zones, the following benefits will be granted:

6.1. To lending institution offering financing to corporations which promote and operate tourism projects located in the Z.E.P.D.T., which have been specifically approved by INTUR under the present Law, are to be exonerated from Income Tax, as to the interest earned during the existence of the project.

6.2. To those natural or juridical persons, related or not, to the development or operation of services and activities for tourism who invest their profits in the development of said Z.E.P.D.T. zones, either in projects for tourism or through established financial mechanisms through agreements and as per the guidelines and norms that MARENA and Nicaragua's Central Bank (BCN) in coordination with the General Banking

Superintendent and other financial institutions will establish and develop jointly, such as Systems of Bonds and private financial instruments, State loan guarantees, and capital funds for investment in Tourism, the total amount of these investments will be treated and considered as a deductible credit from income tax. Also, such natural or juridical persons may invest an amount, not larger than seventy (70) percent of their total fiscal obligation as Income Tax, in the development of certain tourism projects located in the Z.E.P.D.T., either in their own projects, or through the aforementioned financial mechanisms.

CHAPTER IV CONCESSIONS FROM THE STATE

Art. 7. The Executive Power is hereby authorized so that, as a product from INTUR, it can grant for up to a period of twenty (20) years the concession of lots and islands that are the property of the State without affecting the pre-existing rights: such as those lots that require landfills, and which are intended for the development of tourism, as per the Master Plans for the Z.E.P.D.T. of INTUR, of areas with tourist facilities that are the property of the State and/or of INTUR; and of areas for the construction of marinas, docks and airports that the State decides to dedicate to the public activity of tourism.

Art. 8. Notwithstanding the provisions of the proceeding article, concession contracts may be executed, in special cases, for up to a maximum period of fifty nine (59) years, when in the criteria of INTUR' s Board of Directors, it pertains to projects whose investment amount, economic impact, and job generating potential, require a contractual relation of a longer duration.

Art. 9. The non compliance with the stipulated period to develop the tourist activity authorized to the concessionaire will produce the loss of the concession, in the understanding that any improvement built within the area, shall become the property of the State, without cost to the same, and without prejudice of other legal sanctions that may proceed.

Art. 10. Prior to the granting of the concession, a summary of the corresponding application must be published, as a cartel, through a written social communication medium of national circulation. The Regulations of the current Law will establish the procedure. In addition to what has been established in the preceding paragraph, the following requirements must be complied with:

- 1) The budget assigned to the job, its technical specifications and the pertinent work schedule.
- 2) Payment of indemnity if necessary.
- 3) The modality of the services to be provided and its benefits to the users.
- 4) The financial capability of the applicant and the source of its resources.
- 5) The applicant's experience in similar projects.

INTUR, jointly with the other responsible Entity, for granting the concession in dependence in each specific case and in whatever is applicable, shall exercise a permanent inspection, in all the stages of the concession of the area activity, and/or of the installations, in order to secure the compliance of the contract.

Art.11. The concessionaire and in its case, his subcontractors, are obligated to comply with the stipulated work schedule until the completion of the job. If they do not comply with the schedule or the work is not completed in accordance to the technical specifications agreed-upon, the administrative cancellation of the contract shall be declared, as well as the loss of the compliance warranty bond submitted and of all the rights of the concession.

Art.12. Those companies investing in the development of tourism and connected activities, in areas or facilities granted by the State, will be granted the benefits and incentives under the stipulated investment terms and conditions, except that the value of the land, will not be included as part of the minimum investments which are a condition for eligibility.

CHAPTER V CAPITAL FUNDS OF INVESTMENT FOR TOURISM

Art. 13. The creation of Capital Funds for Investment in Tourism, which are private financial institutions, under

the regulatory control of the General Superintendent of Banks and of Other Financial Institutions is permitted, so that they may participate, with investments, in the projects that have been registered in the Investments Registry of INTUR.

Art. 14. Capital Tourism Investment Funds shall be authorized to receive private funds all kinds, and said funds shall enjoy fiscal credit under this Law, and according to Regulations of Investment Capital Funds of INTUR. The Mini, Small and Medium Tourism Entrepreneurs shall be authorized to receive credits for the investment.

CHAPTER VI INSCRIPTION AND REGISTRATION OF INVESTMENTS

Art. 15. The Tourism Investment Registry, assigned to INTUR, in which persons, natural or juridical, who wish to qualify for the protection of the system of incentives to which this Law refers, must register, is hereby created.

Art. 16. To apply for registration in the Tourism Investment Registry, applicants should present the following documents:

- 1) An application form with the pertinent general information of the project which is the object of the application.
- 2) Personal and/or juridical Identification Document with respect to the applicant.
- 3) The complete documentation of the Project.

16.1. The form, sealed and numbered, will be purchased at INTUR at a cost of ten (10) dollars, or its equivalent in national currency. This form, must be submitted in one original, and six (6) copies as first part of the application, shall contain the following information:

- 1) Names and Surnames, nationality, I.D. Card number or that of the passport, Number of the Sole Contributor's Register (RUC) domicile, telephone, and fax of the applicant person in Nicaragua. In the case of a juridical person, the legal name, country of constitution of the corporation and registration information in the Public Registry of his country of origin and in Nicaragua, RUC number, as well as names, domicile, telephone and fax of their legal representative in Nicaragua.
- 2) Name and municipal location of the project.
- 3) Amount of the investment.
- 4) Number of employments expected to be generated.
- 5) List of Documents submitted with the form, and which are a part of the application.

16.2 Personal identification documents and certifications to be submitted, in one original and two (2) copies, with respect to the applicant, are the following:

- 1) Copy of the personal identification card or of the passport of the applicant, in the case of a natural person; or a copy of the personal I.D. card, or of the passport of the legal representative, in the case of a juridical person.
- 2) Articles of Incorporation of the corporation duly registered in the competent public registry, and certification issued by the Secretary of the Board of Directors in which the duration that the corporation has been in force and the names of the Directors, are thereby ascertained.

16.3. The application will contain the following documents in original and six (6) copies, with respect to the project:

- 1) A detailed and precise description of the intended tourist activity, including a location plan, and other plans required and merited by the project, such as measurements plan, topographic plan of the property, and the

schedule and phases of execution.

2) Property title and its registry history comprehending at least, a period of the last ten (10) years, according to the Real Estate Registry. In case the applicant persons or corporation are not the same as the owner of the property, it shall be necessary to provide at least a General Power of Attorney.

3) A photocopy of the application for the location and land use submitted to the pertinent municipality for the project's proposed activity, or a document of approval if the same has been issued.

4) Document of Evaluation of the Environmental Impact (E.I.A.) which shall be required for the adjudication by MARENA and, as the case may be, of requiring or not, a complete and final Declaration of Environmental Impact (D.I.A.), as required for the processing of the project.

5) Cost of the Project, and information and/or relevant evidence as to the financing of the same, including those pertinent to the sources of financing. In the case of a Tourist Project with an investment of over Two hundred thousand dollars (US\$200,000.00), or its equivalent in national currency, the application should contain a feasibility study of the project.

6) Any additional information that, in accordance with the nature of the proposed tourist activity, will help INTUR in evaluating the application in all of its merits.

Art. 17. Having received the application form, with all the project's required documentation, INTUR must proceed. Within sixty (60) calendar days, to consider the technical, economic, legal and tourist merits aspects of the project submitted, and remit the documentation immediately to the respective State entities, including MARENA, INC and others, as well as to the municipality where the project is located, requesting from said entities a resolution indicating approval and/or their opinion and recommendations regarding the project. Said resolution must be remitted by the respective regulatory entities, to INTUR within thirty (30) days from the receipt date of the project's documents.

Art. 18. INTUR shall analyze the application, under the light of the recommendations and opinions provided by the resolutions issued by the consulted entities and will/or will not approve the application within an established period of sixty (60) days from the date of the application, issuing a Resolution to that effect, and in case of an approval, it shall proceed to register the Project and its proponent in the Tourism Investment Registry, and to issue a certification stating the date of the registration in the Registry, and that therefore the person or corporation, enjoys and shall enjoy the benefits established by this Law.

Art. 19. INTUR shall be the only agency in charge of approving or denying the registration of the corporation in the Tourism Investment Registry for the purposes of this Law. Nevertheless, the registration in said Registry does not exonerate the proponent of his obligation to comply with all the requirements, and of obtaining the necessary and updated permits to effect the project and/or each phase of execution, from the regulatory entities and of the corresponding jurisdictions, which may be the same, or not, than those consulted by INTUR.

CHAPTER VII OF THE OBLIGATIONS

Art. 20. Every person covered under the present Law will be obligated to:

1) Invest the stipulated amount in the respective application, for the proposed tourist project, and maintain said investment for the minimum period that corresponds, in compliance of the present Law.

2) Initiate the construction, renewal or restoration of the properties intended for the proposed project, within a period not greater than six (6) months from the date of registration by INTUR in the Tourism Investment Registry. INTUR may, Under certain circumstances, extend said term.

3) Initiate the operation of the tourist activity within a period of not greater than three (3) years, from the date of its registration in the Tourism Investment Registry..

4) To undertake the tourist activities in compliance with the regulatory norms of INTUR, and those of INC and MARENA whenever applicable.

5) To keep a faithful Registry of the exonerated articles, such articles must be made available to the pertinent

officers of INTUR and of the Ministry of the Treasury and Public Credit.

6) To post a compliance bond, in favor of INTUR, equivalent to six per thousand (0.006) of the amount of the investment. This bond shall never be greater than One hundred fifty thousand dollars (US\$150,000.00), or its equivalent in national currency, and must remain current until INTUR asserts that the tourist activity has started operations.

7) Hire Nicaraguan personnel, excepting the specialized experts and technicians, with the prior authorization from the competent national authorities.

8) Specialized and continuous training, as per the demand of tourism, for Nicaraguan citizens.

9) To submit disputes to the jurisdiction of national tribunals.

Art. 21. The incentives included in this Law shall be granted by INTUR through the execution of a Tourist Contract of Investment and Promotion, which shall be submitted to the cognizance of the Ministry of the Treasury and Public Credit. The contract shall include the benefits, as well as the obligations and guarantees that correspond to the applicant in each case.

Art. 22. INTUR shall proceed to stipulate the following regulations and other documents, which shall be of strict compliance, according to the spirit of this Law, once the same is in force and effect, in consensus with MARENA and INC, the Central Bank of Nicaragua, the Ministry of the Treasury and Public Credit, these being the following:

1) Hostelery Regulations containing the program and regulations of Paradores.

2) Joint Regulations of Historical Preservation to be provided in consensus with INC.

3) Food, Drink and Amusements Regulations containing the program and regulations of Mesones, Casinos to be provided in consensus with the Ministry of Finance and Public Credit.

4) Registry of Artisans and Traditional Industries; Typical Music Registry and of Folkloric Dance in consensus with INC.

5) Plan of Tourist Development of the territory, including schedules for the Tourist Planning and Development zones.

6) Concessions Regulations

7) Capital Funds for Tourist Investment Regulation, in consensus with the Central Bank of Nicaragua.

8) Regulations of the Law of Incentives of the Tourism Industry and of procedures for registration in the Tourism Investment Registry.

9) Tourism Investment Registry and a model of a Tourist Contract for Investment and Promotion.

CHAPTER VIII PENALTIES

Art. 23. The provisions established in the common Taxation Legislation shall apply in matters of penalties.

Art.24. Natural or Juridical Persons beneficiaries benefited according to the spirit of this Law and which misuse the same, shall be subject to the penalties established by decree No. 839 "Law of the Fiscal Fraud Crime", with its reforms, included in Law No. 257, "Law of Taxation and Commercial Justice".

Art. 25. The penalties provided in the preceding article shall be established and executed within the regulations of the present Law.

CHAPTER IX

FINAL PROVISIONS

Art. 26. The Budgets of the Municipalities shall be governed by the spirit of the present Law, with the purpose of not burdening taxes on natural or juridical persons who have been exonerated from taxes, and the National Police which shall not be authorized as well to dictate norms and regulations, perform collections, and/or establish regulations, that are damaging to the providers of tourist services. Medium, Small and Mini-Tourist businesses shall make no direct or indirect payments to the National Police.

Art. 27. The State shall take into consideration the indigenous reserves, as tourism development zones, and will promote folklore and its culture, as tourist attractions.

Art. 28. Transitory Authorization for natural or juridical persons under decree 520, that have initiated the construction of the proposed tourist activity, within the term provided and granted, shall remain valid. Those person who have not initiated the construction, on the date of the enactment of the present Law, shall have three (3) month from said date to initiate construction of the proposed activity, in order to benefit from the incentives of decree 520. If they have not started construction, they must submit a new application and comply with all the requirements of the present Law. The companies protected under decree 520 that have started operations on the date of effectiveness of the present Law, and that wish to make additional investments for an extension of their installation and services, may also enjoy the incentives granted by the present Law, if they comply with the conditions of the same and its Regulations. In such case, the extension project shall be submitted as if it were a new project, and the minimum investment must be thirty five (35%) percent greater than the approved and completed initial investment. The extension of the exoneration of the taxes, for a new period of ten (10) years, shall be hence applicable to the total tourist activity of the company in such project.

Art. 29. The present law abrogates Decree 520 dated August 5, 1960, and its amendments, and all legal and regulatory provisions that are against it, in matters concerning hotels and amusements centers.

Art. 30. The Executive Branch shall enact the Regulations for the present law, as established by numeral 10 of Article 150 of the Political Constitution of the Republic of Nicaragua.

Art. 31. The present Law shall become effective as of its publications in La Gaceta, Official Daily.

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.

ARNOLDO ALEMAN LACAYO,
President of the Republic of Nicaragua.