

**Law 306 makes Nicaragua the best place in
Latin America to open a hotel, restaurant, or other business
by Jennifer Stevens**

Just six months ago, Nicaragua enacted the most attractive, and most aggressive, tourism-incentive law in Latin America. If you've ever toyed with the idea of owning your own B&B...running a sailboat charter.. leading adventure treks into the jungle...dishing up meals in your own restaurant...or operating any tourist-related business...Nicaragua might be the place to do it...and now might be the time.

Law 306 lets you:

- Pay no income taxes for up to 10 years.
- Pay no real-estate taxes for up to 10 years.
- Bring in (or buy locally) all the supplies you need, from furniture and boats to linens and cash registers...tax free.

Not only that, but the application and approval process is straightforward and fast. INTUR, Nicaragua's Institute of Tourism, has done an outstanding job of cutting through the usual red tape. The law allows the agency just 60 days to approve your application. What's more, depending on the type of project, an investment of only \$30,000 can qualify you for the benefits.

The program is already working

Now is a smart time to invest in Nicaragua. The country boasts one of the fastest real-GDP growth rates in Central America, and it shows. All over the country you'll see evidence of progress, new shopping malls in Managua (complete with Liz Claiborne shops), new restaurants in San Juan del Sur, a spruced-up market in Massaya, and not a block in Granada without at least one building under renovation. Cruise ships have been landing since January, and about 500 cruise visitors a month are exploring the southern Pacific region.

In all, close to 443,000 tourists visited Nicaragua last year, and that number is expected to increase by over 10 percent in 2000. The only thing holding Nicaragua's fledgling tourism industry back is a lack of infrastructure. And that's just the problem this new tourism-incentive law was designed to remedy.

It's starting to work. Martha Luz G. de Barrios, an investment specialist at INTUR, said that her agency has already approved close to \$40 million worth of projects—mostly large hotels. Holiday Inn and Hampton Inn are opening this year. But there is plenty to entice the smaller investor.

IL readers already in business

"There's a lot of energy in Nicaragua," said Mike Iacoboni, an IL subscriber who, with his wife Jane, just purchased a bed-and-breakfast in San Juan del Sur. "I feel the timing is right and the economics are favorable. Nicaragua's location is prime—especially where we are on the Pacific. I think San Juan del Sur will be a lot like Puerto Vallarta or Mazatlan in the years to come. But right now, there's great opportunity for a small-to-medium-level player like me."

American restaurateurs Enriqueta Mateo and daughter Nuria Clarke recently opened Restaurant Mediterraneo in Granada. "It was very easy to open," said Enriqueta.

"There are rules to follow, but it's much easier than in other countries, especially because new businesses are welcomed. I remember that the police closed our street for the day of the inauguration, and the church came to bless the restaurant." Business could not be livelier, Nuria says. The ever-increasing number of diners hail from destinations as far flung as India, New Zealand, and Holland. But not all of their customers are from abroad. Locals and officials at the foreign embassies come from Managua to Granada for the weekends, and just last week, a full house of Peace Corps volunteers indulged in an evening out.

"We also get a lot of business from people living in Costa Rica, especially business owners," Nuria explained. "Many of them are on their first trip to Nicaragua, and already they're planning to move here. They love it. They ask my mother a lot of questions, and several months later we find they're living in town."

A straightforward law

The point is, Nicaragua is slowly being discovered. And an improved tourism infrastructure will only speed the process. Law 306 is a well-crafted document that gives you an incentive—and makes it easy for you—to help jump-start the industry...and make a profit while you're at it.

Many "tourist activities" fall under the law's umbrella and with an investment in any one of them you benefit through tremendous tax savings. In broad strokes, here's how it works:

- 1.** The hotel industry—If you build or improve a hotel, motel, condo-hotel, campground, guest house, cabin resort, etc., you pay no real estate tax for 10 years, no income tax for 10 years, and you can import or buy locally any supplies you need to get your business running...tax free.
- 2.** Protected areas—Invest in private property in a protected area—be it a national park or a historic town—and the same 10-year exemptions apply when you build your property.
- 3.** Air Transport—Designed to encourage new airline services, the law grants the tax-free importation of necessary goods from aviation equipment to stationery.
- 4.** Internal tourism—Launch a travel agency, tour operator, or guide service and pay no import taxes.
- 5.** Food, drinks, and entertainment—Open a restaurant, nightclub, bar, or casino, and qualify for a 10-year holiday on real estate taxes and pay no taxes on the renovation or building of your business.
- 6.** Motion pictures—Film a full-length motion picture in Nicaragua and (if the committee deems it will attract tourists) pay no national or municipal taxes.
- 7.** Leasing land or water vehicles—Start a car-rental firm (with a fleet of at least 20 more cars) or a boat-rental business (only one boat needed) and enjoy a 50 percent tax break from import duties.
- 8.** Infrastructure improvement—Be it a roadway, pier, or telecommunications system, you'll pay no real estate or income taxes on it.
- 9.** Development of handicrafts—You'll pay neither real-estate nor income tax on the production of native Nicaraguan handicrafts.

For more information about this program, contact Martha Luz G. de Barrios, Resp. de Inversiones, Instituto Nicaraguense de Turismo, Apartado Postal 5088, Managua, Nicaragua; tel. (505)222-4334, fax 222-6610, E-mail: inversion@intur.gob.ni. Martha spent many years living and working in the States and speaks good English. You'll find her well-informed and helpful.