

Nicaragua

The country profile includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by the employers. Results reported include the average and marginal tax burdens for eight different family types.

It also describes the personal income tax systems, all compulsory social security contribution schemes and universal cash transfers as well as recent changes in the tax/benefit system.

Nicaragua 2013

Tax / benefit of single persons

	67	100	167	67
	Wage level (% of average wage)	67	100	167
	Number of children	0	0	2
1. Gross wage earnings	53 085	79 231	132 316	53 085
2. Standard tax allowances	7 408	11 057	18 465	7 408
Basic allowance	0	0	0	0
Married or head of family	0	0	0	0
Dependent children	0	0	0	0
Deduction for social security contributions and income taxes	3 045	4 545	7 590	3 045
Work-related expenses	0	0	0	0
Other	4 363	6 512	10 875	4 363
3. Tax credits or cash transfers included in taxable income	0	0	0	0
4. Central government taxable income (1-2+3)	45 677	68 174	113 851	45 677
5. Central government income tax liability (exclusive of tax credits)	0	0	4 578	0
6. Tax credits	0	0	0	0
Basic credit	0	0	0	0
Married or head of family	0	0	0	0
Children	0	0	0	0
Other	0	0	0	0
7. Central government income tax finally paid (5-6)	0	0	4 578	0
8. State and local taxes	0	0	0	0
9. Employees' compulsory social security contributions				
Gross income	3 045	4 545	7 590	3 045
10. Total payments to general government (7+8+9)	3 045	4 545	12 168	3 045
11. Cash transfers from general government	0	0	0	0
For head of family	0	0	0	0
For two children	0	0	0	0
12. Take-home pay (1-10+11)	50 040	74 686	120 148	50 040
13. Employer's compulsory social security contributions	8 857	13 220	22 077	8 857
14. Average rates				
Income tax (7 / 1)	0.0%	0.0%	3.5%	0.0%
Employees' social security contributions (9 / 1)	5.7%	5.7%	5.7%	5.7%
Total payments less cash transfers [(10-11) / 1]	5.7%	5.7%	9.2%	5.7%
Total tax wedge including employer's social security contributions [(10+13-11) / (1+13)]	19.2%	19.2%	22.2%	19.2%
15. Marginal rates				
Total payments less cash transfers: principal earner	5.7%	5.7%	18.6%	5.7%
Total payments less cash transfers: spouse	N.A.	N.A.	N.A.	N.A.
Total tax wedge: principal earner	19.2%	19.2%	30.3%	19.2%
Total tax wedge: spouse	N.A.	N.A.	N.A.	N.A.

Nicaragua 2013

Tax / benefit of married couples

	Wage level (% of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	0
1. Gross wage earnings		79 231	105 377	132 316	105 377
2. Standard tax Allowances		11 057	13 206	18 465	13 206
Basic allowance		0	0	0	0
Married or head of family		0	0	0	0
Dependent children		0	0	0	0
Deduction for social security contributions and income taxes		4 545	4 545	7 590	4 545
Work-related expenses		0	0	0	0
Other		6 512	8 661	10 875	8 661
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1-2+3)		68 174	92 171	113 851	92 171
5. Central government income tax liability (exclusive of tax credits)		0	0	0	0
6. Tax credits		0	0	0	0
Basic credit		0	0	0	0
Married or head of family		0	0	0	0
Children		0	0	0	0
Other		0	0	0	0
7. Central government income tax finally paid (5-6)		0	0	0	0
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross income		4 545	4 545	7 590	4 545
10. Total payments to general government (7+8+9)		4 545	4 545	7 590	4 545
11. Cash transfers from general government		0	0	0	0
For head of family		0	0	0	0
For two children		0	0	0	0
12. Take-home pay (1-10+11)		74 686	100 833	124 726	100 833
13. Employer's compulsory social security contributions		13 220	13 220	22 077	13 220
14. Average rates					
Income tax (7 / 1)		0.0%	0.0%	0.0%	0.0%
Employees' social security contributions (9 / 1)		5.7%	4.3%	5.7%	4.3%
Total payments less cash transfers [(10-11) / 1]		5.7%	4.3%	5.7%	4.3%
Total tax wedge including employer's social security contributions [(10+13-11) / (1+13)]		19.2%	15.0%	19.2%	15.0%
15. Marginal rates					
Total payments less cash transfers: principal earner		5.7%	5.7%	5.7%	5.7%
Total payments less cash transfers: spouse		0.0%	0.0%	5.7%	0.0%
Total tax wedge: principal earner		19.2%	19.2%	19.2%	19.2%
Total tax wedge: spouse		0.0%	0.0%	19.2%	0.0%

The national currency is the Cordoba (NIO). In 2013, the average exchange rate was NIO 24.72 to USD 1. In that year, the average worker earned NIO 79 231.20 on an annual basis.

The Report includes estimates of the tax wedge over the whole of the income distribution ordered by deciles of total labour income of formal wage earners derived from the household surveys.

	Deciles of Incomes									
	1	2	3	4	5	6	7	8	9	10
Local currency (NIO)	31 287	40 320	46 884	51 881	58 574	65 930	73 350	85 253	110 888	230 139
USD ¹	1 265	1 631	1 896	2 098	2 369	2 667	2 967	3 448	4 485	9 309
Dollars in PPP ²	3 253	4 193	4 875	5 395	6 091	6 856	7 627	8 865	11 530	23 930
Ratio to the minimum wage ³	0.7	0.9	1.0	1.1	1.3	1.4	1.6	1.9	2.4	5.0

1. Average official exchange rates published by the central bank.

2. Calculated using the implied conversion rate (National currency per current international dollar in purchasing parity power) published by the IMF in the World Economic Outlook dataset.

3. Ratio of the income decile to the official minimum wage of the country.

1. Personal income tax system

The fiscal year is the calendar year.

1.1. Central government income tax

Equity Law No. 453 establishes that all income received within the Nicaraguan territory is liable to income tax. This includes employment income consisting of salaries, wages, pensions, bonuses, premiums and allowances, self-employment and business income and investment income.

Exempt income:

The most noteworthy types of exempt income relating to employment include:

- Compensations and indemnifications for the worker and his/her beneficiaries.
- The thirteenth month bonus component of wages.

1.1.1. Tax unit

Members of the family are taxed separately.

Personal income tax applies to all residents and non-residents receiving income in the country.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard tax allowances and tax credits

- Social security contributions paid to the Nicaraguan Institute for Social Security (INSS).

1.1.2.2. Main non-standard tax allowances and tax credits

- Contributions of employed individuals to approved retirement accounts that are not part of the social security scheme.

1.1.3. Tax schedule

The annual personal income tax liability was calculated according to the following schedule in 2013:

Income (NIO) up to	Marginal rate (%)
75 000	0
100 000	10
200 000	15
300 000	20
500 000	25
Above	30

1.2. State and local taxes

No state or local taxes are levied on wages.

2. Compulsory social security contribution to schemes operated within the government sector**2.1. Employee contributions**

Program	Marginal rate (%)
Old age, disability and death program	4.0
Healthcare and Maternity program	2.25

The employee contributions are levied on the gross wage. The lower earnings threshold of earnings is the monthly minimum national wage, NIO 3 801.83 in 2013. The upper ceiling for contributions was NIO 37 518. The annual yearly thirteen month bonus is exempt from social security contributions.

2.1. Employer contributions

Employers are required to contribute to the following public programs.

Program	Marginal rate (%)
Old age, disability and death program	7.0
Healthcare and Maternity program	6.0
Work Injury	1.5
War victims	1.5
Technological National Institute – INATEC	2.0

The employer contribution rates are levied on the payroll.

3. Universal cash transfer**3.1. Amount for spouse and for dependent children**

None.

4. Main changes in tax/benefit since 2013

Through decree 37-2013, the social security contribution rates paid by the employer to the old age program are being gradually increased from 2014. The schedule of the increases is:

2014: 8%

2015: 9%

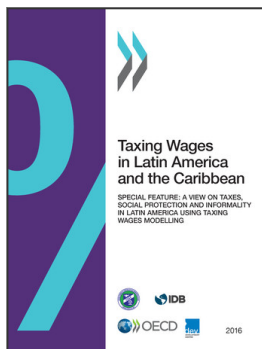
2016: 9.5%

2017: 10%.

5. Memorandum items

5.1. Identification of an AW

The data refer to the earnings of workers within the formal sector. The average worker's wage was calculated using microdata from the national household surveys.



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