

EXPORT PROCESSING ZONE LAW

Executive Summary Translation of

LEY DE LAS ZONAS INDUSTRIALES DE PROCESAMIENTO PARA EXPORTACIONES

DECRETO No.37-87

- Ever since this law was approved in 1987, Private Export Processing Zones can be established anywhere in the country.
- Export companies set up in these zones enjoy the same benefits as those in the Free Zones, including the exemption of all taxes.
- Export Processing Zones (known as ZIPs for the Spanish initials for Zonas Industriales de Procesamiento) are privately owned and managed and are located in areas of Honduras' national territory as permitted by law.
- ZIPs are established to foster, through the employment of local labor, the creation of export-oriented manufacturing and services industries, and supporting industries.
- The goods and merchandise imported and/or exported from the ZIPs are exempt of duties, charges, surcharges, consular fees, internal consumption taxes and any other taxes or duties. Equally, sales and production generated from the ZIPs and the building and industrial and commercial establishments located there are also exempt from state and municipal taxes.
- Profits generated from the ZIP operations are tax exempt from sales or income taxes; however, this exemption does not apply to foreign companies or individuals who are allowed to deduct from their national taxes the income taxes paid in Honduras.
- Salaries and other personal income paid to persons employed in the ZIPs will incur the payment of income and municipal taxes as specified by Law.
- In order to operate in the Export Processing Zones companies must submit their application to the Executive Branch's Economy and Commerce Secretariat, complying with several requirements, among these: a minimum capital investment, exclusive dedication to export manufacturing, and comply with ZIP building and infrastructure requirements.
- Applications must include company information, deeds and the project's articles of incorporation, financial and management structure, as well as the enterprise's business projections for the next ten years.
- Applicants must also submit market studies that justify establishing the business in the Export Processing Zone, as well as building plans, capacity projections and pertinent specifications.

- The Honduran Government, through the Economy and Commerce Secretariat and the Finance Secretariat will determine that the public interest is being served, and that general and local conditions merit authorizing the project; that the financial structure, organization and management will reasonably guarantee the fiscal interests of the State; that the applicant has the operational capabilities to meet the industrial transformation capabilities for export manufacturing, marketing and labor contracting, and that the projected facilities will offer sufficient fiscal guarantees.
- Rights granted to companies established in the Export Processing Zones can only be transferred with government authorization and only to companies that comply with ZIP requirements.
- The operating company is directly responsible for the management and administration of the ZIP, authorized to build all necessary industrial facilities; enter into all legal commercial contracts, including sales, leasing, transfer, storage and any other property obligations; provide all kinds of services required for the operation of the ZIP; and promote the export of ZIP products.
- Among the tax benefits extended to ZIP companies are the duty-free import, and exemption of any other charges and surcharges related to customs procedures of all construction materials and equipment and office equipment and supplies, as long as they are not manufactured in the country and have received prior government authorization; and exemption of income tax for 20 years and municipal taxes for ten years.
- A company is permitted to operate more than one Export Processing Zone and in so doing will be exempt from complying with previously-met requirements, with the exception of meeting the minimum capital investment requirement which it must meet for every ZIP it operates.
- Merchandise, products and goods imported into and exported from the ZIPs are exempt from most duties and taxes, depending on their ultimate destination and use.
- The Temporary Import Law permits companies subcontracted by a ZIP located out of the ZIP area to temporarily import goods needed in manufacturing the products subcontracted for by the ZIP.
- Activities that are carried out in the ZIP are considered to be a public service and those who execute them are not subject to the Law of Representatives, Distributors and Agents of National and Foreign Companies, nor to requiring permits, registrations, or prior export authorization, nor do they require an importer-exporter operating permit.
- Companies operating as ZIPs provide their workers all the benefits required by current labor laws. Labor conflicts are resolved according to the Labor Code procedures for public services in order to avoid any production interruption that would affect the company's ability to meet its export obligations.

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