



ANID ALERT

Retiree Law

On June 18, 2009, the new law for retirees was passed in the *Asamblea*. This new law, Law 694, formally called *Ley de Promoción de Ingreso de Residentes Pensionados y Residentes Rentistas* creates a retirement program that is one of the best in Latin America. This ALERT will highlight the provisions of the new law.

Purpose of the Law

Law 694 is intended to establish rules and procedures for people residing indefinitely in Nicaragua as *Residentes Pensionados* (Resident Pensioners or Retirees) or *Residentes Rentistas* (Resident with Income). Further the Law states that it is intended to help tourism activity by means of promoting these special tourists.

Definitions

- *Residente Pensionado*- a person retired from a public or private institution who desires to be a permanent resident in Nicaragua and receives a minimum monthly pension equivalent to US\$600.
- *Residente Rentista*- a person who has a stable and permanent income, such as dividends, from abroad, desires to be a permanent resident in Nicaragua and receives a minimum monthly income equivalent to US\$750.

- Permanent Resident- a person who wishes to reside in Nicaragua for an indeterminate time and makes Nicaragua his actual domicile.

The Legal Status of *Residentes Pensionados* or *Residentes Rentistas*

These types of residents will be classified as Special Tourists. They must meet the financial standards as defined above and once a person qualifies as a resident the same legal status will be conferred on his parents, spouse, minor children and person within 4 degrees of blood that are dependent on the resident for support. For each of these relatives, the resident must demonstrate an additional pension or income of US\$150 per month per person.

Benefits

The following benefits are available to persons who have received status of *Residente Pensionado* or *Residente Rentista*:

- No requirement for a guaranty bond for residency.
- Importation without payment of the import taxes of household goods with a value up to US\$20,000.
- Personal use vehicles may be imported or purchased every four years with no import or sales tax due for up to US\$25,000. If the car is transferred within the four-year period, the exempted taxes will be due at the time of the sale. The car cannot be more than seven years old and the title will carry an annotation noting the tax exoneration. If the car is totally destroyed or stolen within the four-year period, the person may acquire a new car under the same tax- free conditions.

- A one-time exemption for sales tax (IVA) on up to US\$50,000 worth of construction materials while constructing a house for personal use. The title to the property will have an annotation on it for 10 years. If you sell the house before the ten years, the taxes will be due at the time of sale.
- An IVA (sales) tax exemption for car rentals when used for tourism purposes by the *Residentes* and their families. The *Residentes* need to have a valid Nicaraguan driver's license.
- Tax exemption on importation of up to US\$200,000 worth of scientific or professional items, if the *Residentes* will use them for the benefit of Nicaragua .

Administrative Procedures to Obtain Residency

The following authenticated and translated documents are to be submitted in triplicate to the Nicaraguan Institute of Tourism (INTUR) or the Nicaraguan consulate for approval of residency:

- A letter to the President of INTUR indicating the person's intention of acquiring permanent residency and domicile under this Law. The letter must state the address where the person will live in Nicaragua and contact information.
- A certificate of monthly pension or income from the appropriate organization and establishing that the pension or income will last at least five years.
- A birth certificate showing a minimum age of 45. The age requirement can be exempted if the person can show an investment in Nicaragua of at least US\$75,000, is legally disabled or can show a stable income.
- Two passport photos
- Photo copy of passport
- A letter or health certificate from your doctor
- Birth Certificates for any included family members
- Marriage Certificate, if applicable.
- Letter from local police department stating applicant and family members have no criminal record.
- List of household items and/or vehicle to be imported.
- If the applicant is a naturalized citizen, the naturalization papers must be presented.

Obligations of Residentes

The persons who are granted residency have the following obligations:

- Must reside in Nicaragua for at least six months each year unless the *Residente* receives permission to be absent because of health conditions or impossibility of travel. The six months do not have to be contiguous.
- Each year the *Residente* must present to INTUR documents showing that the pension or income moneys were transmitted to Nicaragua ,
- Pay for a residency card (*cedula*) every five years.
- Respect the laws of Nicaragua .
- If residency is renounced, the *Residente* must repay all exonerated taxes that were exempted within the two-year period prior to the renunciation.

Prohibitions

Residentes Pensionados or *Rentistas* may not work in any activity in which they receive public moneys. The exceptions to this rule are: a) if it is their own business and they have real property registered in the Public Registry worth at least US\$75,000, and the work has been approved by the *Ministerio de Fomento, Industria y Comercio.*; or b) they receive special authorization to work; or c) it is work within a public or private institution and is scientific or intellectual in nature.

The beneficiaries of this Law may not become involved in political organizations, nor promote any acts against the cultural, ethnic, religious or tourism image of Nicaragua.

Beneficiaries of the previous Retiree Law 628

Residentes Pensionados or *Residentes Rentistas* that acquired residency under Law 628 (passed in 1974), will be able to enjoy the new benefits of Law 694, if they receive authorization from INTUR.

A copy of the new law is attached to this ALERT.

ANID would advise anyone wishing to utilize the new retiree law to obtain personal and specific legal advice from a Nicaraguan attorney rather than relying on this ALERT.

ANID welcomes any questions or comments regarding the ALERT. Please email your comments and questions to tmurdock@firstam.com.