



GLOBAL EMPLOYER GUIDE

HONDURAS





Basic Country Facts

Full Name

- Republic of Honduras

Capital

- Tegucigalpa

Main Languages

- Spanish
- English Garifuna

Population

- 9.588 million

Monetary Unit

- Honduran Lempira (HNL)

Internet Domain

- .hn

International Dialing Code

- +504

Currency

- Honduran Lempira (HNL)



STATUTORY LABOR REQUIREMENTS

Probation Period

- The trial period is of a maximum of 60 days

Annual Leave

- The minimum vacation time offered to any employee on a Honduran payroll is as follows:
 - 10 days' vacation after the 1st year of employment
 - 12 days after the 2nd year
 - 15 days after 3 years.

Public Holidays

- New Year's Day (1st January)
- Maundy Thursday (9th April)
- Good Friday (10th April)
- Holy Saturday (11th April)
- Pan American Day (20th April)
- Labor Day (1st May)
- Independence Day (of Honduras) (15th September)
- Francisco Morazán's Day (7th October)
- Columbus Day (8th October)
- Armed Forces Day (9th October)
- Christmas Day (25th December)

Maternity Leave

- Female workers are generally entitled to six weeks of maternity leave before the birth and six weeks after the birth, to be compensated at a rate of 66% of their wages, averaged over the prior three months.

Paternity Leave

- There is no statutory paternity leave in Honduras.



Sick Leave

- Hondurans are generally entitled to sick leave pay of 66% of their earnings, averaged over the prior three months.
- The sick pay starts after a three-day waiting period and continues for up to 26 weeks.
- In some cases, it may be extended to 52 weeks.

Work Hours

- Working hours generally cannot exceed eight hours per day or a total of 44 hours per week.
- Night shift workers should not work more than a 36-hour week, and workers who perform a mixed day-night shift should not exceed 42 hours per week.

Overtime

- Overtime is paid at 125% for overtime hours during the day, and 150% for overtime hours at night.

Notice Period

- According to article 116 Labor Code either party can terminate an employment contract of indefinite duration provided that advance notice is given.
- The statutory notice period varies according to the worker's length of service, as follows:
 - 24 hours, if the length of service is less than 3 months;
 - 1 week if the length of service is between 3 and 6 months;
 - 2 weeks if the length of service is between 6 months and 1 year;
 - 1 month if the length of service is between 1 and 2 years;
 - 2 months if the length of service is more than 2 years.

- Article 118 of Labor Code provides that the worker who did not give prior notice, or comply with the legal requirements, will be obliged to pay the employer an amount equivalent to half the salary that corresponds to the end of the notice.
- In the event that the employer does not comply with the law requirements, the worker is entitled to an amount equivalent to the respective salary during the period of notice.

Severance

- There is no general right to severance pay for justified dismissals (i.e. those based on the conduct or the capacity of the worker, or on economic reasons).
- However, in the event of unjustified dismissal (dismissal without cause) and indirect dismissal (termination by the employee caused by actions of the employer listed in art. 114 LC, any employee under a contract of indefinite duration is entitled to compensation (Auxilio de cesantía) which varies according to the employee's length of service, as follows (art. 120 LC):
 - the length of service is between 3 and 6 months: 10 days of salary,
 - from six months to one year of service: 20 days of salary,
 - after one year of continuous services: one month's salary for each year of service, up to a maximum of 25 months' salary.
- However, according to article 120A LC, the cap is reduced to 15 months' salary in micro-enterprises, which are defined as enterprises with a maximum of 10 employees.



- Note that according to the LC, in enterprises with more than 10 employees, the severance pay shall be paid as follows:
 - after 15 years of service any employee who voluntarily terminates his employment is entitled to 35% of the respective accrued severance pay;
 - after 6 months of continued service in the event of an employee's death, the heirs are entitled to 70% of the respective accrued severance.

13th Month

- Hondurans are entitled to a 13th and 14th month bonus.
- It is paid in December.



Income Tax

- Resident and nonresident individuals, regardless of their nationality, are subject to tax on their Honduras-source income only.
- Individuals are considered resident if they live in Honduras for more than three consecutive months during a tax year.
- Taxable employment income includes salary, pensions, bonuses, premiums, commissions and allowances (for example, housing and educational allowances).
- Payments made to board members, other executives and counselors not included in the payroll are subject to a 12.5% and 1% income withholding tax, respectively.
- The 12.5% rate applies to various payments, such as professional fees, commissions and bonuses, while the 1% rate applies to payments for goods and services.
- Income derived from self-employment or from a trade or business is subject to tax.
- Employment and self-employment income are taxable at the following rates.

Annual taxable income		Tax Rate (%)
Exceeding (HNL)	Not Exceeding (HNL)	
0	158,995.06	0
158,995.06	242,439.28	15
242,439.28	563,812.30	20
563,812.30	-	25



Social Security

Sickness and Maternity Contribution

- The contribution rates for the Sickness and Maternity Contribution (Enfermedad y Maternidad) are 5% for the employer and 2.5% for the employee.
- The contribution is calculated on a maximum monthly salary of HNL8,933.97 (approximately USD361).

Old Age, Invalidity and Death Contribution

- The contribution rates for the Old Age, Invalidity and Death Contribution (Vejez, Invalidez y Muerte) are 3.5% for the employer and 2.5% for the employee.
- The contribution is calculated on a maximum monthly salary of HNL9,326.42 (approximately USD377).

Professional Risk Contribution

- The contribution rates for the Professional Risk Contribution (Riesgo Profesional) is 0.2% and is only applicable for the employer.
- The contribution is calculated on a maximum monthly salary of HNL8,993.97 (approximately USD361).

Private Contribution Regime — Social Housing Fund

- The contribution rate for the Private Contribution Regime – Social Housing Fund (Régimen de Aportaciones Privadas – Fondo Social para la Vivienda) is 1.5% each for the employer and employee.
- The contribution is calculated on the employee's salary less the base salary (HNL9,326.42 [approximately USD377]).
- The result is multiplied by 1.5% in order to calculate the contribution for the employer and the employee.

Labor Reserve Contribution

- The contribution is only applicable for the employee.
- The contribution rate is 2.64%, which is applied to 3 minimum wage salaries.
- A minimum wage salary is HNL9,257.13 (approximately USD374).
- If the employee's salary is less than 3 minimum wage salaries (HNL27,771.39 [approximately USD1,123]), the labor reserve contribution is calculated on the salary paid to the employee by applying the rate of 2.64%.

Contribution	Employer	Employee
Sickness and Maternity Contribution	5%	2.5%
Old Age, Invalidity and Death Contribution	3.5%	2.5%
Professional Risk Contribution	0.2%	-
Private Contribution Regime – Social Housing Fund	1.5%	1.5%
Labor Reserve Contribution	-	2.64%

Deductible Expenses

Employment Expenses

- Unreimbursed items (e.g. moving expenses, business-connected travel expenses, business entertainment expenses) are not deductible against the employee's compensation income.
- Representation expenses are deductible for the employee as long as these type of expenses are duly supported with original documentation.

Personal Deductions

- Educational and medical expenses are deductible up to a maximum amount of HNL 40,000. Individuals can also deduct any expense incurred exercising their profession if duly documented.
- Donations to local educational and charitable institutions are deductible for an amount that will not exceed 10% of net taxable income.

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Immigration

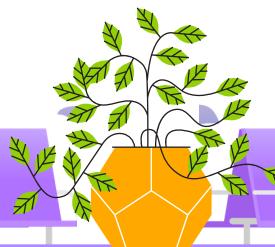
Work permit

- Foreigners must apply for a Special Residence Permit with the immigration authorities.
- The granting of this permit is subject to specific rules applicable to employers and employees that need to be checked on a case-by-case basis because they often vary.
- After the required documents are filed with the immigration authorities, it takes approximately three months to obtain the Special Residence Permit.

- Special Residence Permits are valid for terms ranging from one year to five years and may be renewed for up to five years.
- After five years, a new type of permit request must be filed. In addition, foreign employees must apply for a work permit with the Ministry of Labor



Type of Visa	Documentation	Validity	Eligibility
Special Residence Permit	<ul style="list-style-type: none">• Completed application• Recent photograph (6cms x 5cms)• Criminal record in the country of origin and last residence (if applicable), authenticated.• Certification issued by the Directorate General of Criminal Investigation DGIC• Medical certificate, not older than 6 months.• Authenticated photocopy of the passport.• Company documents notarized• Employment Contract	<ul style="list-style-type: none">• 1 to 5 years (may be renewed for up to 5 years)	<ul style="list-style-type: none">• Foreigners who want to temporarily stay and work in Honduras can apply for a Special Residence Permit



Value Added Tax (VAT)

- The standard VAT rate is 15%
- Higher rate of 18% is applicable on certain goods and services such as alcohol, tobacco and fizzy drinks

VAT	
Higher Rate	18%
Standard Rate	15%



Withholding Tax

Dividends

- Dividends paid to a resident or a nonresident are subject to a 10% withholding tax

Interest

- Interest paid to a resident or a nonresident is subject to a 10% withholding tax

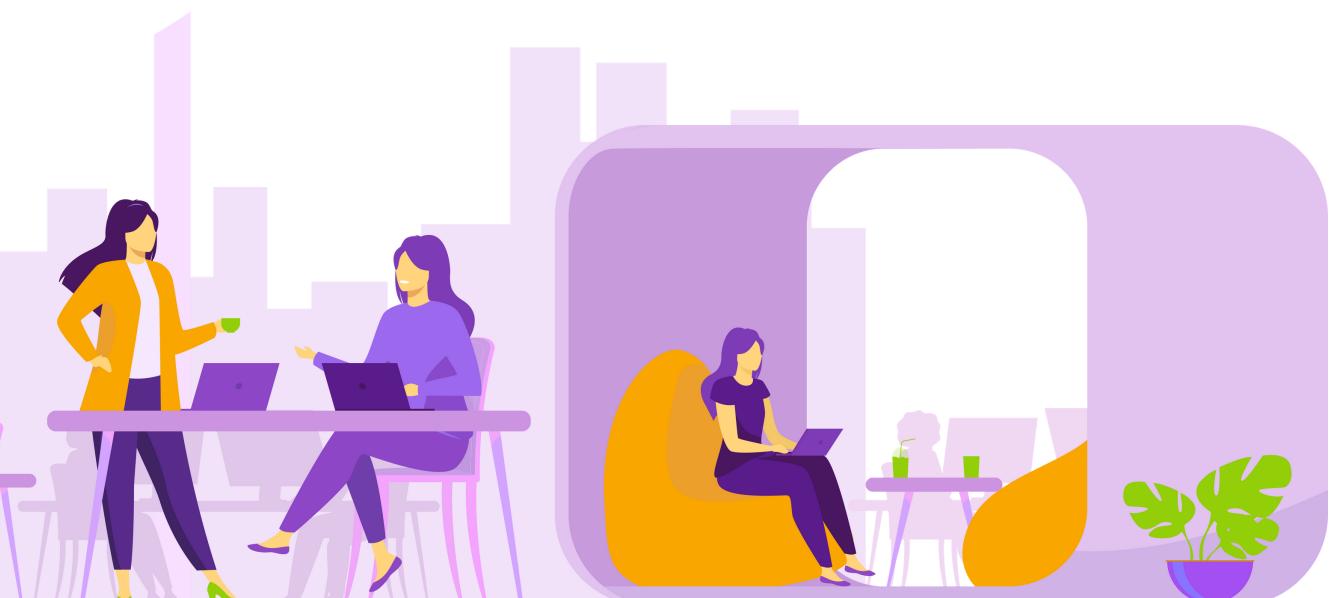
Royalties

- Royalties paid to a nonresident are subject to a 25% withholding tax and the rate for residents is 0%

Fees for technical services

- Technical service fees paid to a nonresident are subject to a 25% withholding tax and the rate for resident is 12.5%

Type of Payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	10%	10%	10%	10%
Interest	10%	10%	10%	10%
Royalties	0%	0%	25%	25%
Technical Service Fee	12.5%	12.5%	25%	25%



Termination

- According to article 116 Labor Code either party can terminate an employment contract of indefinite duration provided that advance notice is given.
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Statutory Benefits

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, overtime pay, severance pay and 13th month pay.
- Statutory benefits also include social security benefits

Statutory Benefits

Probationary Period

Annual Leave

Public Holidays

Maternity Leave

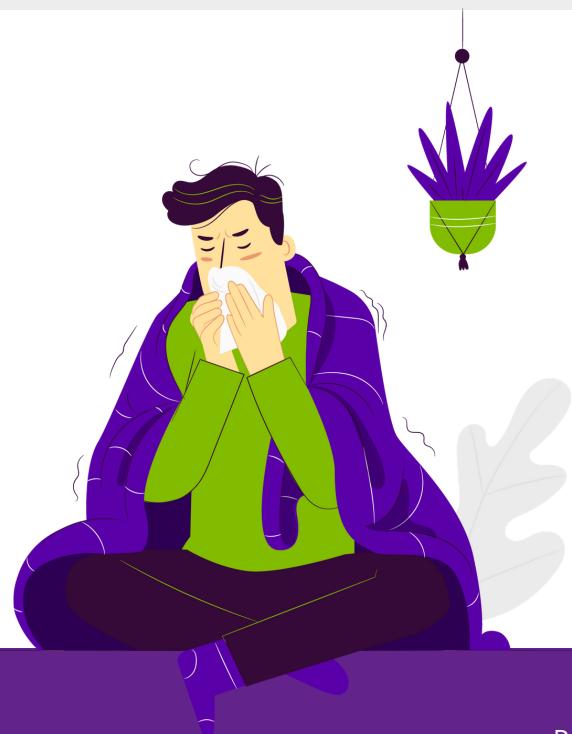
Sick pay

Overtime Pay

Severance pay

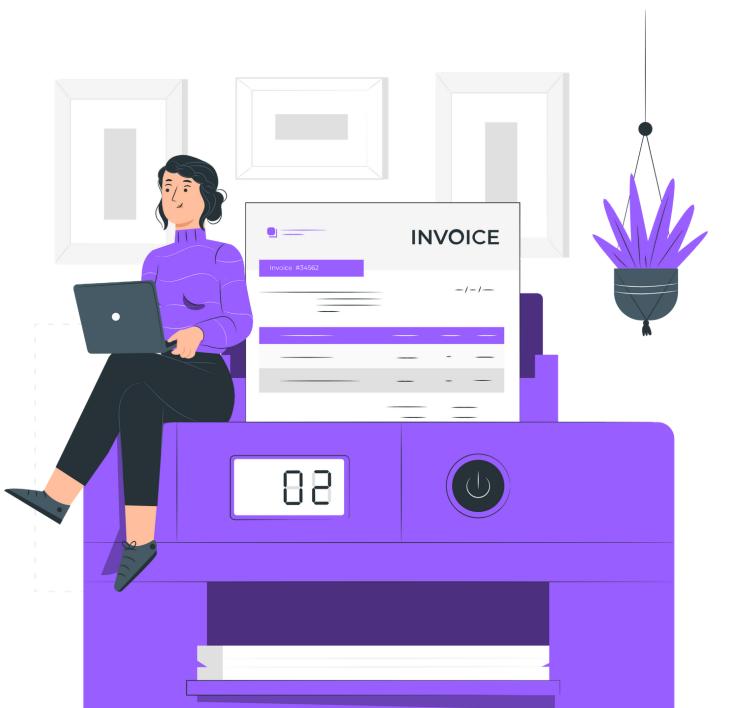
13th Month Pay

Social security benefits



Payments and Invoicing

- Employers are responsible for withholding income taxes and social security contributions from employees' salaries on a monthly basis.
- Employees are not required to file an annual income tax return if their only source of income is employment compensation.
- Nonresidents are not required to file an annual income tax return if their income tax liability has been satisfied through withholding at source.
- The ordinary tax year runs from 1 January to 31 December.
- Returns must be filed and any tax liabilities due must be paid by 30 April of the year following the tax year.
- However, in certain specified circumstances, taxpayers may elect a special tax year.
- Self-employed individuals and individuals with a trade or business must make advance income tax payments.



Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Honduras ranked 133rd in the World in 2019 in terms of ease of doing business.





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An Equus Software Company