

Nicaragua

International Estate Planning Guide

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I. Introduction

Global mobility and the increasing presence of assets in multiple jurisdictions make international estate planning essential. This guide is designed for individuals who own assets in Nicaragua, reside in the country or have heirs and beneficiaries abroad, and want to ensure an orderly and efficient transfer of wealth under Nicaraguan law.

II. Succession

A. General legal framework

Succession in Nicaragua is governed by the Civil Code and related procedural laws. At death, the decedent's estate forms a universal patrimony composed of all assets, rights and obligations not extinguished by death. This patrimony is transferred to the heirs by law or by testamentary designation, subject to probate or judicial declaration. Nicaragua does not impose inheritance taxes and the estate transfer is not subject to taxation at the time of death. Succession can be testate or intestate, and the process must follow formal judicial or notarial procedures, depending on the circumstances.

Contrary to many civil law jurisdictions, Nicaragua does not establish a rigid 'forced heirship' regime (*legítima*) that grants automatic legal shares to heirs. However, certain close relatives, particularly minor children, may have standing to claim support (*alimentos*) from the estate, and in some cases, the surviving spouse may invoke rights under the so-called *cuarta conyugal*, a statutory right to a portion of the estate equivalent to 25 per cent of the marital assets, depending on the marriage regime and absence of other provision.

B. Testate succession

A valid will (*testamento*) allows the testator to freely dispose of his or her assets, subject to limited statutory rights of dependents or spouses. The Civil Code recognises multiple forms of wills, primarily *open* and *closed* wills. An open will (*testamento abierto*) is executed directly before a notary public and two witnesses, with the contents read aloud and recorded in a public deed. A closed will (*testamento cerrado*) is written by the testator or another person, sealed in an envelope, and delivered before a notary and witnesses, without its contents being revealed until after death. Both forms are valid if the formalities are met, but the open will is more common and offers greater legal certainty and accessibility for heirs.

Special wills are permitted in exceptional circumstances, such as military wills (*testamento militar*), maritime wills (*testamento marítimo*) and oral wills (*testamento verbal*) during imminent death, though their validity is subject to strict evidentiary conditions and limited duration. These are rarely used in practice and must be ratified within specific legal timeframes to be effective.

The testator may appoint an *executor (albacea)* in the will, who has legal authority to oversee the implementation of testamentary instructions. The executor facilitates the succession, represents the estate, manages property, and ensures that debts and distributions are carried out. While not mandatory, appointing an *albacea* is advisable in complex estates or when international coordination is needed.

Importantly, general powers of attorney (*poderes generales*) issued during the lifetime of the decedent lose all legal effect upon death. These documents cannot be used to administer the estate, transfer assets or represent the deceased. Only a court-appointed administrator or designated *albacea* may act on behalf of the estate after death.

C. Recognition of foreign wills and declarations of heirs

Foreign wills and declarations of heirs may be recognised in Nicaragua, provided they comply with certain legal requirements. A will executed abroad must be valid under the law of the place of execution, duly legalised or apostilled and translated into Spanish by a certified translator, if necessary. Once presented to a Nicaraguan court, the document must be submitted for probate, and the court will evaluate its validity and applicability under local succession law. The same applies to foreign court orders declaring heirs or distributing estates: these must be subject to *exequatur* proceedings to have legal effect in Nicaragua. The court will review whether the foreign decision meets due process standards, respects local public policy and does not violate the rights of Nicaraguan parties or minors.

Even when a foreign will or declaration is recognised, the transfer of Nicaraguan assets, such as real estate, must be completed through local registration and may require supplementary acts or deeds. It is often necessary to initiate partial proceedings in Nicaragua for purposes of property transfer, particularly in the case of real property or corporate shares.

D. Intestate succession

If the deceased did not leave a valid will, succession is governed by the rules of intestacy in the Civil Code. The estate is distributed to relatives in a defined order of priority: first to descendants, then to ascendants and finally, to collateral relatives. The surviving spouse is included depending on the marital property regime and coexists with children or parents. Intestate succession requires a judicial declaration of heirs (*declaratoria de herederos*), which must be requested before a civil court. This process involves presenting evidence of kinship, death and property, and leads to the issuance of a court resolution establishing who the legal heirs are. Once the declaration of heirs is granted, the court proceeds to inventory, appraisal, debt payment and partition. The process may be expedited in simple or uncontested cases, but judicial involvement is still required for the formal transfer of estate assets, especially real estate.

E. Role of the executor (albacea)

The *albacea* is the person designated by the testator to carry out the provisions of the will and administer the estate. This role is recognised and regulated by the Civil Code and offers considerable benefits, particularly when the estate includes multiple heirs, international assets or

complex instructions. The *albacea* has legal standing to represent the estate in court, manage assets during the probate process, oversee the payment of debts and execute the final distribution. Their powers may be broad or limited according to the will, and their appointment must be ratified by the court. In the absence of an *albacea*, the court will appoint an administrator among the heirs or a third party. While the *albacea* does not have to be a lawyer, they must be a capable adult and accept the position formally. Their actions are subject to judicial supervision and fiduciary obligations.

III. Trusts, foundations and other planning structures

A. Domestic trusts

The legal concept equivalent to a trust in Nicaragua is the *fideicomiso*, regulated under Law No 741. This instrument must be created by public deed and accepted by a licensed fiduciary entity, such as a bank or financial institution authorised by the Superintendencia de Bancos y de Otras Instituciones Financieras or SIBOIF). Natural persons cannot act as trustees and informal or privately declared trusts are not legally valid. Once properly constituted, a *fideicomiso* becomes a separate legal patrimony, distinct from both the settlor and fiduciary, and may hold, manage and dispose of assets in accordance with its stated purpose. While traditionally used in commercial, financial and security contexts, a *fideicomiso* may also serve estate and succession planning functions under certain conditions, such as through a testamentary trust arrangement. The trust deed must clearly outline the beneficiaries, conditions of administration and termination, and it is subject to fiduciary duties and regulatory oversight.

B. Foreign trusts

Foreign trusts are not regulated under Nicaraguan law, and Nicaragua is not a party to the Hague Convention on the Law Applicable to Trusts and on their Recognition. However, in practice, a foreign trust may be recognised as a legal entity capable of owning assets in Nicaragua, provided that it is duly constituted under the laws of its jurisdiction of origin and complies with local legal requirements. A foreign trust may hold title to real estate, shares in a company or contractual rights, as long as it presents legally valid and duly legalised documentation, including the trust deed, evidence of legal existence and powers of representation. These documents must be authenticated and translated when required, and the trust's representatives must have legal standing to act in Nicaragua. While the internal governance mechanisms of the trust (eg, discretionary clauses or reserved settlor powers) may not be enforceable locally, the entity itself can be registered and treated as a foreign legal person for purposes of property ownership and transactions. Local authorities will assess such structures based on their compliance with registration, tax and anti-money laundering regulations. There is no prohibition on the use of foreign trusts to hold assets in Nicaragua.

C. Foundations

Nicaraguan law does not provide for private interest foundations of the kind used in jurisdictions like Panama or Liechtenstein. The only foundations recognised locally are non-profit organisations (*organismos sin fines de lucro*) established for social, religious, educational or charitable purposes. These must be registered with the Ministry of the Interior, are subject to

governmental oversight and must operate without profit distribution. A foreign private foundation may act as a legal owner of Nicaraguan assets, provided it is duly established under foreign law, and complies with local documentation and registration requirements. However, the foundation's internal structure, such as council powers or discretionary distributions, will not be enforceable under Nicaraguan law unless it aligns with local legal principles. There is no domestic framework for using foundations as estate planning or family asset protection vehicles.

D. Use of trusts and foundations in succession planning

Nicaragua allows for the use of a *fideicomiso* as part of a testamentary succession structure. A person may direct, through a will, that all or part of his or her estate be transferred to a trust upon death. This *fideicomiso testamentario* can serve as an instrument to manage inherited assets collectively; delay or condition distributions; and impose specific administrative or investment guidelines. Because there is no inheritance tax in Nicaragua, this transfer of estate assets into a trust does not trigger tax liability, provided that the trust is validly constituted and succession is processed in accordance with civil law. This mechanism offers families a more flexible and centralised means of handling succession, particularly in cases involving multiple heirs, vulnerable beneficiaries or long-term planning needs. The trust must still be administered by a licensed fiduciary, and its terms must be clearly articulated in the will. While foundations cannot be used for similar purposes under Nicaraguan law, foreign foundations may participate indirectly if they are properly constituted and recognised as foreign legal entities under local registration rules.

E. Fiduciary duties and legal supervision

Trustees of Nicaraguan *fideicomisos* are subject to statutory fiduciary duties, including duties of loyalty, diligence, segregation of assets and accountability. They must act in accordance with the purposes stated in the trust deed and are prohibited from engaging in self-dealing or conflicts of interest. The trust's assets must be kept separate from those of the fiduciary institution and may only be used for the benefit of the designated beneficiaries or purposes. Trustees are required to provide regular reports to interested parties and, where applicable, to the financial regulatory authority. The fiduciary is also subject to compliance with anti-money laundering rules and financial reporting obligations. Foreign trustees do not have direct legal standing in Nicaragua unless acting through a locally recognised structure or properly authorised representative. The effectiveness of a foreign trustee's actions in Nicaragua depend on the ability to demonstrate legal capacity; proper representation; and compliance with local registration and regulatory requirements.

IV. Taxation

A. Income tax framework

Nicaragua operates under a territorial tax system. Individuals, whether resident or not, are only subject to income tax on income generated within Nicaraguan territory. There is no taxation of foreign-source income, even for residents, and no global taxation framework. A person is considered a tax resident if he or she remains in Nicaragua for more than 180 days during a calendar year, regardless of the individual's immigration status or nationality. There is no concept of domicile for tax purposes distinct from physical presence. Non-residents are taxed solely on Nicaraguan-source income, typically through withholding at the time of payment.

B. Tax on employment and personal income

Income derived from employment is subject to a progressive annual tax scale applicable only to residents. The employer is responsible for applying monthly withholding based on projected annual income. The rates range from 15 per cent to 30 per cent and apply cumulatively. By contrast, income derived from other sources, such as professional services, independent work, leasing, interest, dividends and royalties, is taxed separately at the time of receipt. These payments are subject to final withholding, typically at rates of ten per cent or 15 per cent, and are not aggregated at year-end for additional tax. This treatment applies to both residents and non-residents. Non-residents are generally subject to a flat 15 per cent withholding on gross Nicaraguan-source income.

C. Capital gains

Nicaragua does not apply a separate capital gains tax regime. Gains derived from the sale of property or assets are taxed under general income tax rules, depending on whether the transaction is habitual or occasional. In the case of isolated transfers, such as the sale of property by a private individual, the gain is taxed at ten per cent on the net profit. This tax is generally withheld at the time of transfer, particularly in real estate transactions, where the notary or buyer acts as withholding agent. If the gain arises from commercial or professional activity, it is treated as ordinary income and taxed accordingly. There is no loss compensation regime for capital gains, nor any adjustment for inflation or asset revaluation.

D. Gift, estate and inheritance taxes

There is no inheritance, gift or estate tax in Nicaragua. Transfers of assets by cause of death are governed by civil law, and there is no tax levied on the estate or recipients. Nonetheless, transfers of real estate, whether by sale or donation, are subject to a one per cent municipal registration tax and a withholding (one to seven per cent) for capital gains on the sale of real estate or other property subject to a public registry. Donations made during life are not taxed at the national level, but may trigger municipal obligations if they involve registered property. Large asset transfers, whether *inter vivos* or *mortis causa*, may be subject to scrutiny under anti-money laundering rules, especially if the origin of the assets is unclear or if the transaction involves politically exposed persons.

E. Wealth tax

Nicaragua does not impose a tax on net wealth or on worldwide assets. However, the ownership and transfer of specific assets may give rise to fiscal obligations. Real estate is subject to an annual municipal property tax (*impuesto de bienes inmuebles* or IBI) equivalent to one per cent of the cadastral value, payable to the corresponding local government. Vehicles are subject to annual circulation taxes, calculated based on age, type and use. There is no obligation for residents to report or pay tax on the value of assets held abroad.

F. Other direct and indirect taxes

Beyond income taxation, Nicaragua maintains a general VAT (*impuesto al valor agregado* or IVA) regime applicable at a rate of 15 per cent on the sale of goods, the provision of services and imports. Certain essential items are exempt, as established by law. Professionals and business operators who exceed the regulatory threshold must register with the tax administration, issue authorised invoices and collect VAT from clients. In the case of services rendered to corporate entities, the payer is often required to withhold a portion of VAT and income tax at source. Stamp taxes apply to specific notarial documents. In addition, a minor financial transaction tax is levied on checks and certain electronic transfers. Municipal business licenses and related taxes may also apply to individuals engaged in commercial activity.

G. Tax treatment of charities and non-profit organisations

Charitable and non-profit organisations must be registered with both the Ministry of the Interior and the tax authority in order to benefit from exemptions. Eligible entities must pursue public or social purposes and must refrain from distributing profits. Donations received by such organisations are not considered taxable income, provided they are used for authorised purposes. Purchases and imports made by qualified entities may benefit from VAT exemptions, depending on the activity and documentation. Only corporate donors may deduct certain donations, and only within narrow limits. Non-profit organisations are required to submit annual financial and activity reports, and are subject to compliance obligations under anti-money laundering regulations.

H. Taxation of non-residents on asset acquisition

Non-residents who acquire real property or other assets in Nicaragua are not subject to additional taxes based on nationality or residency. However, real estate transfers are subject to a one per cent municipal tax and a withholding (one to seven per cent) for capital gains on the sale of real estate or other property subject to a public registry registration tax, payable upon the execution and filing of the public deed. Income generated by such assets, such as rental income or capital gains from resale, is taxable in Nicaragua, regardless of the owner's residency status. Rental payments are subject to ten per cent withholding on gross income. There are no incentives or exemptions specifically applicable to foreign acquirers, though certain residency programmes may ease administrative procedures.

I. Double taxation treaties

Nicaragua has not signed any comprehensive double taxation agreements with foreign jurisdictions. Consequently, foreign investors and residents receiving income from Nicaragua

must bear the full domestic withholding tax, as no treaty-based relief is available. The country is not a signatory to the Organisation for Economic Co-operation and Development's (OECD's) Multilateral Instrument, the Common Reporting Standard or the Automatic Exchange of Information framework. Taxpayers do not benefit from foreign tax credits under domestic law. International tax planning involving Nicaragua generally relies on local legal structures and not treaty networks. Although regional cooperation exists for limited information exchange, there is no system of automatic data sharing in force.

V. Capacity and powers of attorney

A. Legal capacity

Under Nicaraguan law, legal capacity is the ability to acquire rights and incur obligations. A person attains full legal capacity upon reaching the age of 18, unless earlier emancipation occurs under specific statutory conditions. Under-age persons or those judicially declared incapacitated (*interdictos*) lack full legal capacity and must be represented by a guardian (*tutor*) or curator (*curador*) in legal transactions. The Civil Code sets forth the rules for the appointment of guardians and the scope of their authority, which includes the duty to act in the ward's best interests, safeguard their assets and submit periodic accounts to the court supervising the guardianship.

Capacity is relevant in estate planning because a will or testamentary disposition executed by a person without capacity is null and void. The testator must be of sound mind, and fully aware of the nature and consequences of his or her testamentary act at the time of execution. The court may require evidence of capacity if there is reason to doubt that the testator understood his or her actions, particularly in cases involving elderly or impaired individuals.

B. Powers of attorney

A power of attorney (*poder*) is a legal instrument through which a principal grants authority to an agent to act on his or her behalf in specified matters. In Nicaragua, powers of attorney can be general or special. A general power of attorney grants broad authority to manage the principal's affairs, whereas a special power of attorney is limited to a defined act or transaction, such as the sale of real estate or representation before a government agency. Powers of attorney must be executed by public deed before a notary to have effect in matters involving real property or engagement with public registries.

One of the most important limitations of powers of attorney is that they *expire upon the death of the principal*. Once the principal dies, any authority granted under a power of attorney ceases immediately and cannot be relied upon to administer the succession, transfer assets or represent the estate. After death, only the executor (*albacea*) appointed in the will or the administrator appointed by the court in an intestate succession may act on behalf of the decedent's estate.

C. Durable powers and healthcare instructions

Nicaraguan law does not have a specific regime for 'durable powers of attorney' or advance healthcare directives similar to those found in some common law jurisdictions. While a principal may include instructions regarding medical care or end-of-life preferences within a power of

attorney, such provisions have no specific statutory recognition and may not be enforceable once incapacity occurs. As a practical matter, many practitioners advise clients to include clear, written instructions in their estate planning documents and to designate trusted representatives for medical decision-making, supplemented by formal guardianship or court-appointed curatorship, if necessary.

D. Representation after incapacity or death

Once a person becomes incapacitated and is judicially declared so, the individual loses the legal capacity to enter into binding contracts, dispose of property or execute a will. Thereafter, a guardian or curator must be appointed by the court to act in the person's stead. Upon death, all powers of attorney automatically terminate and only those authorities granted through a valid will (eg, the appointment of an executor) or those granted by a court in a succession proceeding remain operative. It is therefore essential in cross-border estate planning to clarify the limits of any powers of attorney and to avoid relying on such instruments for actions that must be taken after incapacity or death.