

Doing Business 2011

Honduras

**Making
a Difference for
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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Business Reforms

Doing Business 2011: Making a Difference for Entrepreneurs is the eighth in a series of annual reports investigating regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies.

The following pages present the summary Doing Business indicators for Honduras. The data used for this economy profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator.

The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2011: Making a Difference for Entrepreneurs* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website (www.doingbusiness.org).

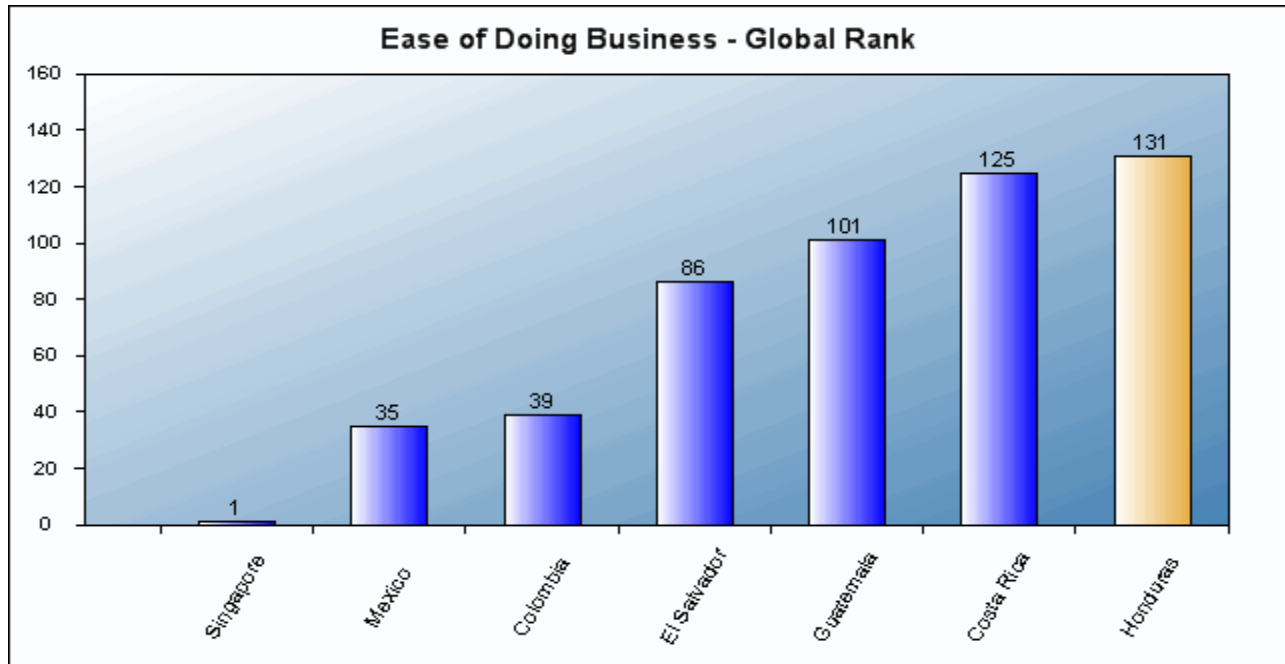
* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

Note: 2008-2010 Doing Business data and rankings have been recalculated to reflect changes to the methodology and the addition of new economies (in the case of the rankings).

Economy Rankings - Ease of Doing Business

Honduras is ranked 131 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

Honduras - Compared to global good practice economy as well as selected economies:



Honduras's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	131
Starting a Business	145
Dealing with Construction Permits	73
Registering Property	89
Getting Credit	32
Protecting Investors	167
Paying Taxes	147
Trading Across Borders	110
Enforcing Contracts	175
Closing a Business	120

Summary of Indicators - Honduras

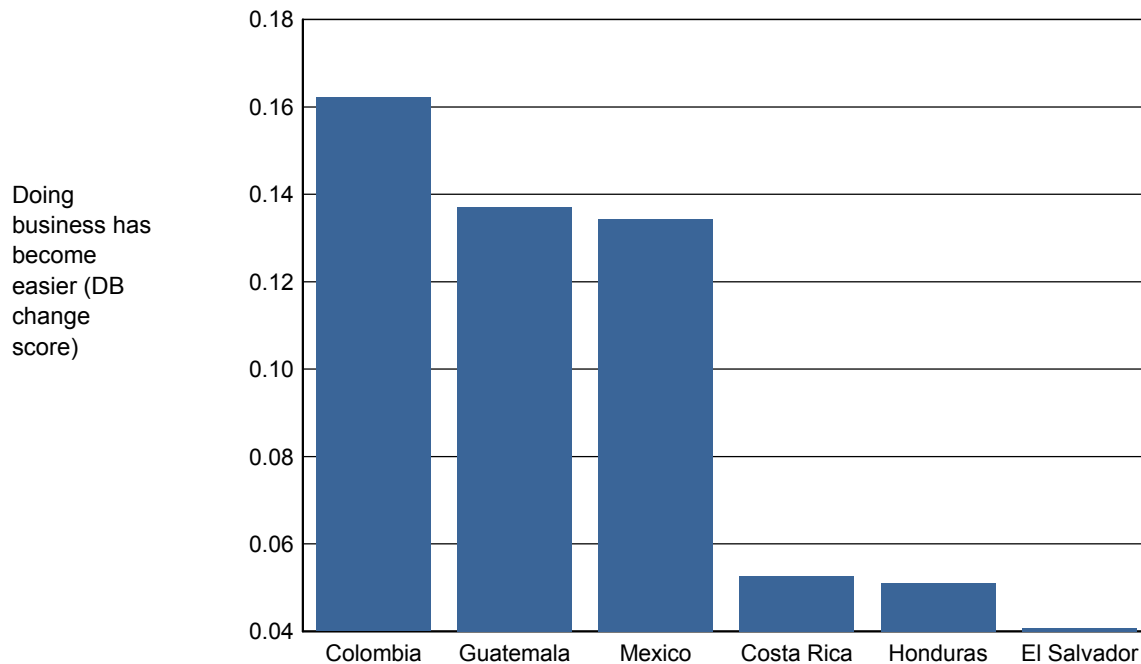
Starting a Business	Procedures (number)	13
	Time (days)	14
	Cost (% of income per capita)	47.2
	Min. capital (% of income per capita)	17.5
Dealing with Construction Permits	Procedures (number)	17
	Time (days)	106
	Cost (% of income per capita)	469.3
Registering Property	Procedures (number)	7
	Time (days)	23
	Cost (% of property value)	5.5
Getting Credit	Strength of legal rights index (0-10)	6
	Depth of credit information index (0-6)	6
	Public registry coverage (% of adults)	22.7
	Private bureau coverage (% of adults)	100.0
Protecting Investors	Extent of disclosure index (0-10)	0
	Extent of director liability index (0-10)	5
	Ease of shareholder suits index (0-10)	4
	Strength of investor protection index (0-10)	3.0
Paying Taxes	Payments (number per year)	47
	Time (hours per year)	224
	Profit tax (%)	26.7
	Labor tax and contributions (%)	10.7
	Other taxes (%)	10.9
	Total tax rate (% profit)	48.3
Trading Across Borders	Documents to export (number)	6
	Time to export (days)	19
	Cost to export (US\$ per container)	1193
	Documents to import (number)	10
	Time to import (days)	23
	Cost to import (US\$ per container)	1205

Enforcing Contracts	Procedures (number)	45
	Time (days)	900
	Cost (% of claim)	35.2
Closing a Business	Recovery rate (cents on the dollar)	19.9
	Time (years)	3.8
	Cost (% of estate)	15

The 5 year measure of cumulative change illustrates how the business regulatory environment has changed in 174 economies from *Doing Business 2006* to *Doing Business 2011*. Instead of highlighting which countries currently have the most business friendly environment, this new approach shows the extent to which an economy's regulatory environment for business has changed compared with 5 years ago.

This snapshot reflects all cumulative changes in an economy's business regulation as measured by the Doing Business indicators—such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions.

This figure shows the distribution of cumulative change across the 9 indicators and time between *Doing Business 2006* and *Doing Business 2011*



Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

Some reform outcomes

In Egypt reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.

In Portugal creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.

In Malaysia reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.

What does Starting a Business measure?

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law

Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary prior to registration begins

Starting a Business: getting a local limited liability company up and running
Rankings are based on 4 subindicators



Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

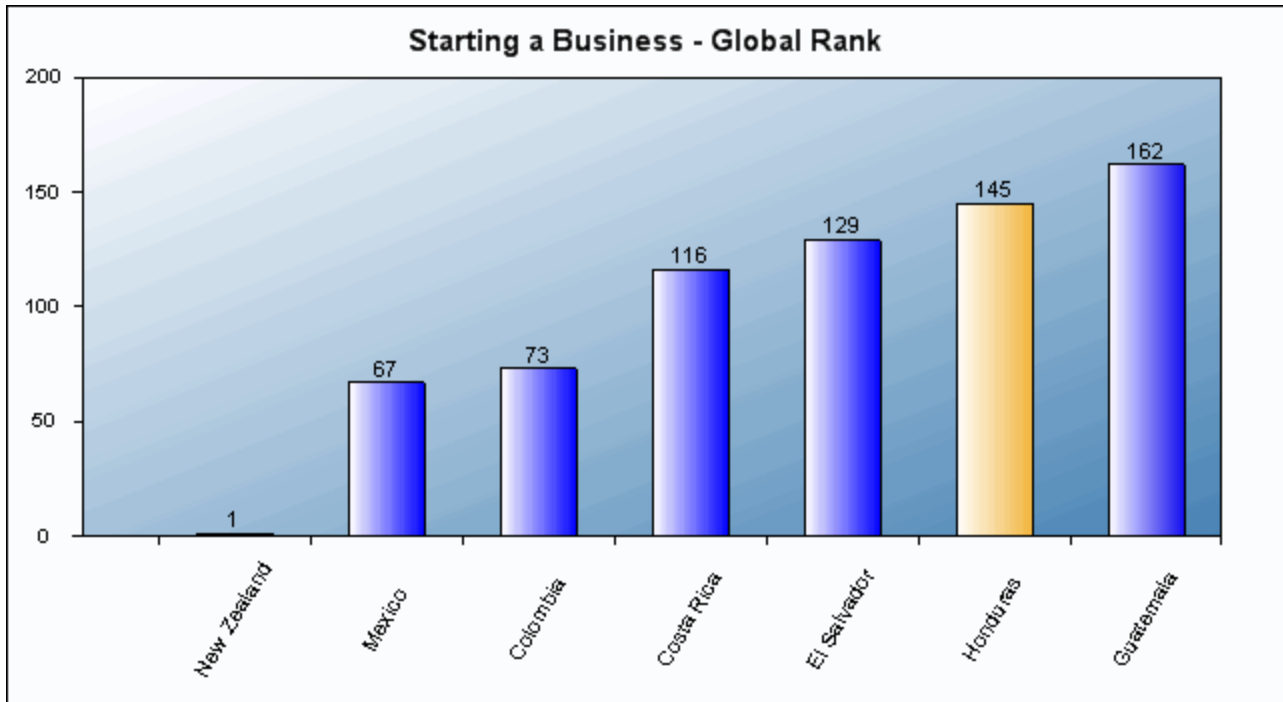
The business:

- is a limited liability company, located in the largest business city
- conducts general commercial activities
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

1. Benchmarking Starting a Business Regulations:

Honduras is ranked 145 overall for Starting a Business.

Ranking of Honduras in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for Honduras compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)	Min. capital (% of income per capita)
Denmark*			0.0	
New Zealand*	1	1		0.0

<i>Selected Economy</i>				
Honduras	13	14	47.2	17.5

<i>Comparator Economies</i>				
Colombia	9	14	14.7	0.0
Costa Rica	12	60	10.5	0.0
El Salvador	8	17	45.0	3.0
Guatemala	12	37	49.1	24.2
Mexico	6	9	12.3	9.2

* The following economies are also good practice economies for :

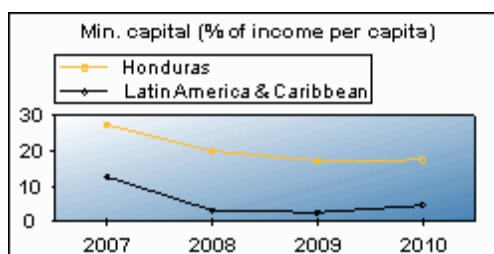
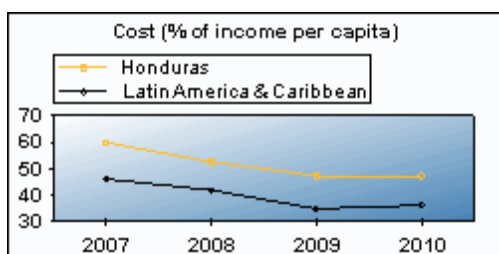
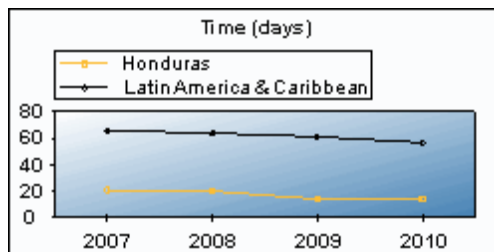
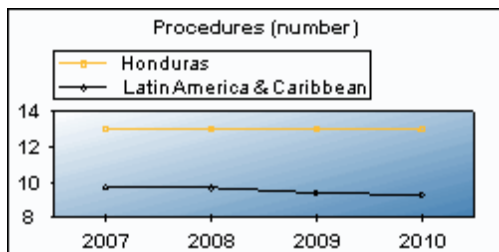
Procedures (number): **Canada**

Cost (% of income per capita): **Slovenia**

2. Historical data: Starting a Business in Honduras

Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	143	145
Procedures (number)	13	13	13	13
Time (days)	21	20	14	14
Cost (% of income per capita)	59.9	52.6	47.3	47.2
Min. capital (% of income per capita)	27.4	20.0	17.3	17.5

3. The following graphs illustrate the Starting a Business sub indicators in Honduras over the past 4 years:



What are the time, cost, paid-in minimum capital and number of procedures to get a local, limited liability company up and running?



This table summarizes the procedures and costs associated with setting up a business in Honduras.

STANDARDIZED COMPANY

Legal Form: Private Limited Company

City: Tegucigalpa

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Procure a certificate of deposit at a local bank; pay the registry fee	1	no charge
2	Constitute the company before a notary public, who is to draw up the instrument of organization	2	HNL 11,239
3	Publish the registration notice in "La Gaceta", the official journal or an ordinary newspaper	1	USD 15
4	Purchase the bar stamps from the Banco Atlántida S.A and Banco de Occidente.	1	no charge
5	File the articles of incorporation with the Mercantile Registry at the Chamber of Commerce	2	HNL 567
6	* Apply for the tax identification code (Registro Tributario Nacional, RTN) at the Dirección Ejecutiva de Ingresos (DEI), Ministry of Finance	1	no charge
7	Acquire legal accounting and minutes books	1	USD 180

8	Register with local and national chambers of commerce	1	no charge
9	Apply for an operational permit (Permiso de Operación) from the municipal authorities	1	HNL 1,250
10	* Register for Sales tax and acquire the authorization of the company books	2	no charge
11	* Register at Social Security Institute (Instituto Hondureño de Seguridad Social, IHSS)	3	no charge
12	* Register at the Hand Labor Training Institute (Instituto Nacional de Formación Profesional, INFOP)	1	no charge
13	* Register at Social Fund for Housing (Régimen de Aportación, (RAP) al Fondo Social de la Vivienda (FOSOVI))	1	no charge

* Takes place simultaneously with another procedure.

Starting a Business Details - Honduras

Procedure	1	Procure a certificate of deposit at a local bank; pay the registry fee
Time to complete:	1	
Cost to complete:	no charge	
Comment:		
Procedure	2	Constitute the company before a notary public, who is to draw up the instrument of organization
Time to complete:	2	
Cost to complete:	HNL 11,239	
Comment:		<p>A company may be formed by public subscription or simultaneous foundation. The procedures described here are for simultaneous foundation (fundación simultánea).</p> <p>The constitution instrument should be written on stamped paper (papel sellado), which costs HNL 10. The notary uses this paper for the protocol (the original signed document in the notary's custody) and for the first copy (testimonio) of the instrument of organization.</p>
Procedure	3	Publish the registration notice in "La Gaceta", the official journal or an ordinary newspaper
Time to complete:	1	
Cost to complete:	USD 15	
Comment:		
Procedure	4	Purchase the bar stamps from the Banco Atlántida S.A and Banco de Occidente.
Time to complete:	1	
Cost to complete:	no charge	
Comment:		<p>Official bar stamps (timbres del Colegio de Abogados), which vary in design and value, can be purchased only from Banco Atlántida S.A. and Banco de Occidente.</p>
Procedure	5	File the articles of incorporation with the Mercantile Registry at the Chamber of Commerce
Time to complete:	2	
Cost to complete:	HNL 567	
Comment:		<p>According to Decree 253-2005, company registration in Tegucigalpa was transferred from the Property Registry (Instituto de Propiedad) to the Chamber of Commerce.</p>
Procedure	6	Apply for the tax identification code (Registro Tributario Nacional, RTN) at the Dirección Ejecutiva de Ingresos (DEI), Ministry of Finance

Time to complete: 1

Cost to complete: no charge

Comment: All natural or juridical persons must apply for the tax identification code (Registro Tributario Nacional, RTN). To obtain it, the notary public who authorizes an incorporation deed must notify the administrative authority of the incorporation.

Procedure 7 Acquire legal accounting and minutes books

Time to complete: 1

Cost to complete: USD 180

Comment: The minute books can now be authorized as separate bound sheets and not necessarily as books.

Procedure 8 Register with local and national chambers of commerce

Time to complete: 1

Cost to complete: no charge

Comment:

Procedure 9 Apply for an operational permit (Permiso de Operación) from the municipal authorities

Time to complete: 1

Cost to complete: HNL 1,250

Comment: To obtain the operational permit, some or all of the following documents must be filed, depending on the type of industrial or commercial activity:

- Personal identity card and municipality tax solvency of the general manager (copies).
- Tax identification code (RTN) (copy).
- Cadastral code (clave cadastral) corresponding to the corporation's place of business.
- Constitution instrument (escritura de constitución de la compañía) (copy).
- Zoning constancy.
- Tenancy agreement and constancy of income tax solvency corresponding to the owner of the premises in which the company will do business.
- Environmental impact statement.
- Cadastral inspection of the premises in which the corporation will do business.

In addition, the company must pay the following taxes, which vary based on the company's income: nomenclature tax, zoning tax, inspection tax, code tax, environmental tax, and taxes for fire fighting and waste management services (paid annually to the municipality).

The applicable municipal taxes for obtaining the permit have changed in Tegucigalpa under the 2003 city tax regulation. Taxes now total HNL 1,250 for the various taxes. A company can proceed to the following procedures with an official receipt issued upon submission of the operational permit application.

Procedure 10 Register for Sales tax and acquire the authorization of the company books

Time to complete: 2

Cost to complete: no charge

Comment: According to the Tributary Code (Código Tributario), the company is obliged to record the constitution instrument and the operation permit before the Minister of Finance, in order to pay sales tax on the sale of goods or services.

Procedure 11 Register at Social Security Institute (Instituto Hondureño de Seguridad Social, IHSS)**Time to complete:** 3**Cost to complete:** no charge

Comment: Social Security Institute (Instituto Hondureño de Seguridad Social, IHSS) is the national social security hospital and outpatient care institution for workers and their dependants. The company is obliged to contribute 5% of each employee's salary for illness and maternity (enfermedad y maternidad, EM), plus 2% for disability, old age, and death (invalidez, vejez y muerte, IVM)—a total of 7% up to a maximum of HNL 4,800.

Procedure 12 Register at the Hand Labor Training Institute (Instituto Nacional de Formación Profesional, INFOP)**Time to complete:** 1**Cost to complete:** no charge

Comment: Employers are obliged to contribute 1% of the company's total payroll to the Hand Labor Training Institute (Instituto Nacional de Formación Profesional, INFOP)

Procedure 13 Register at Social Fund for Housing (Régimen de Aportación, (RAP) al Fondo Social de la Vivienda (FOSOVI))**Time to complete:** 1**Cost to complete:** no charge

Comment: If the company has more than 10 employees, it is obliged to contribute 1.5% of each employee's salary to the Social Fund for Housing (Régimen de Aportación, RAP, and Fondo Social de la Vivienda, FOSOVI).

In many economies, especially developing ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

Some reform outcomes

In Burkina Faso, a one-stop shop for construction permits, "Centre de Facilitation des Actes de Construire", was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40%. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002-06.

Toronto, Canada revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk-based approvals with fast-track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.

What does the Dealing with Construction Permits indicator measure?

Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes

Case Study Assumptions

The business:

- is a small to medium-size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

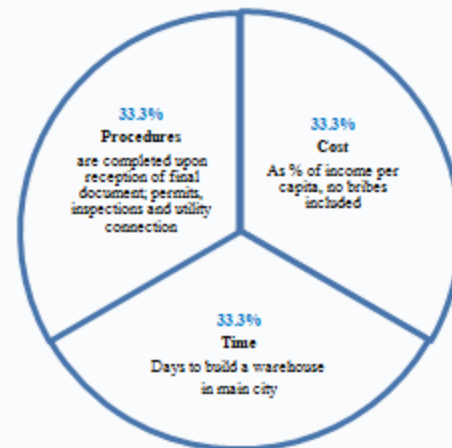
The warehouse:

- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and a land telephone line
- will be used for general storage of non-hazardous goods, such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

Dealing with Construction Permits:

Building a warehouse

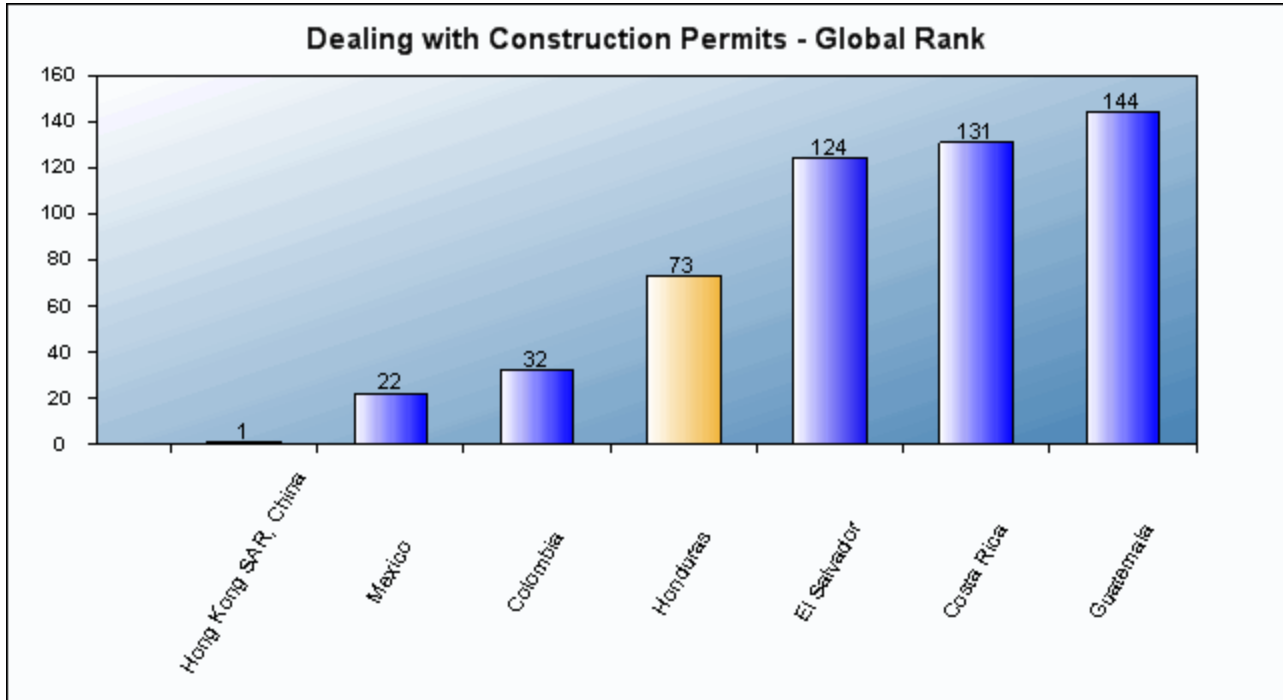
Rankings are based on 3 subindicators



1. Benchmarking Dealing with Construction Permits Regulations:

Honduras is ranked 73 overall for Dealing with Construction Permits.

Ranking of Honduras in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for Honduras compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)
Denmark	6		
Qatar			0.8
Singapore		25	

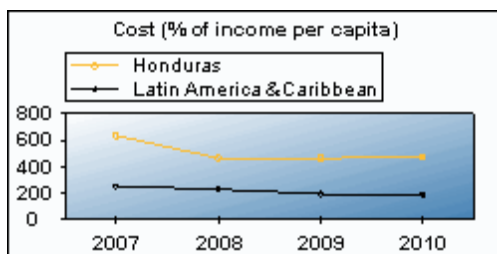
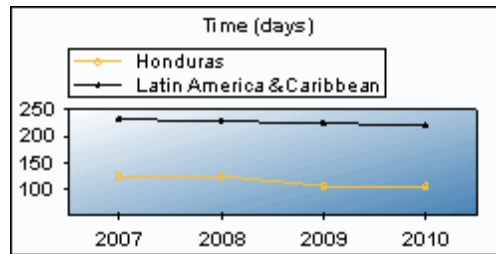
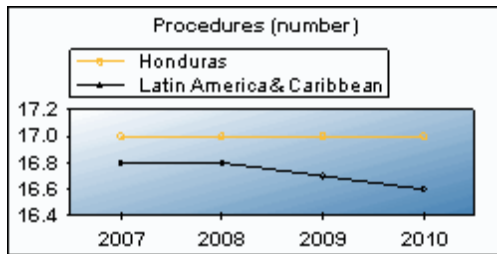
<i>Selected Economy</i>			
Honduras	17	106	469.3

<i>Comparator Economies</i>			
Colombia	10	50	405.9
Costa Rica	23	191	172.2
El Salvador	34	155	171.7
Guatemala	22	178	599.4
Mexico	11	105	117.0

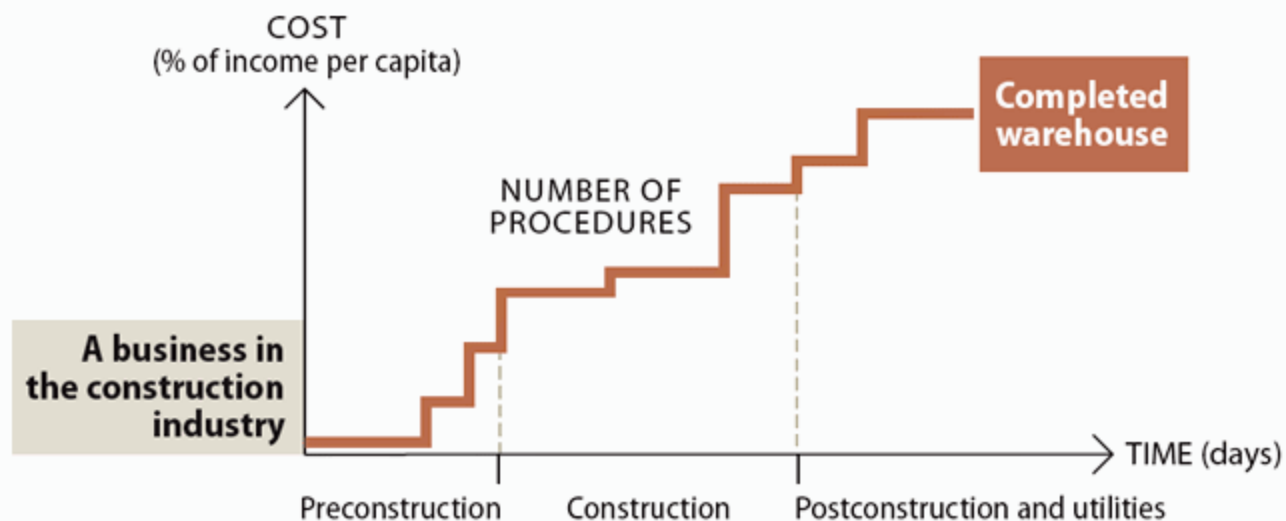
2. Historical data: Dealing with Construction Permits in Honduras

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	73	73
Procedures (number)	17	17	17	17
Time (days)	125	125	106	106
Cost (% of income per capita)	634.1	464.6	465.1	469.3

3. The following graphs illustrate the Dealing with Construction Permits sub indicators in Honduras over the past 4 years:



What are the time, cost and number of procedures to comply with formalities to build a warehouse?



The table below summarizes the procedures, time, and costs to build a warehouse in Honduras.

BUILDING A WAREHOUSE

City: Tegucigalpa

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Request and obtain design guidelines and approval of drawings and designs from the Urban Planning Office	1 day	HNL 900
2 *	Request and obtain environmental approval from the Office of Municipal Environmental Development and Management (GMDAM)	45 days	HNL 31,243
3 *	Request and obtain certification that the company has no unpaid debts	1 day	no charge
4 *	Request and obtain approval for electric power from the electricity utility	15 days	HNL 4,500
5 *	Request and obtain approval for water and sewerage connection from the water authority	15 days	HNL 750
6 *	Request and obtain a rainwater drainage feasibility analysis	7 days	no charge
7 *	Request and obtain approval of a fixed telephone line from HONDUTEL	7 days	HNL 150

8 *	Request and obtain approval (constancia) from the Public Works Secretary (SOPTRAVI)	7 days	HNL 500
9	Request and obtain location clearances from the municipal authority	2 days	HNL 150
10	Request and obtain a building permit	10 days	HNL 39,018
11 *	Request electricity services from the ENEE	1 day	HNL 54,219
12 *	Receive an inspection by the ENEE	1 day	no charge
13 *	Receive electricity connection from the ENEE	14 days	no charge
14 *	Receive connection to water and sewer system from the SANAA	15 days	HNL 30,888
15 *	Request a telephone connection from HONDUTEL	1 day	HNL 1,192
16 *	Receive an inspection and a fixed telephone line connection from HONDUTEL	5 days	no charge
17	Register the building in the property registry	30 days	HNL 4,478

* Takes place simultaneously with another procedure.

Dealing with Construction Permits Details - Honduras

Procedure 1 Request and obtain design guidelines and approval of drawings and designs from the Urban Planning Office

Time to complete: 1 day

Cost to complete: HNL 900

Agency: Urban Planning Office

Comment: Every company planning to construct a new building must request design guidelines from the Urban Planning Office in the vicinity of the future construction site. As of January 2009, the procedure of obtaining the design guidelines and approval of drawings now takes on average 1 hour and costs HNL 900.

Procedure 2 Request and obtain environmental approval from the Office of Municipal Environmental Development and Management (GMDAM)

Time to complete: 45 days

Cost to complete: HNL 31,243

Agency: Office of Municipal Environmental Development and Management of Municipality of Tegucigalpa (UMA)

Comment: BuildCo's case would be considered by the Office of Municipal Environmental Development and Management . Under a major government initiative, the National Competitiveness Program (Programa Nacional de Competitividad) the municipality (GMDAM) entered into an agreement with SERNA in 2007. Under the agreement, both entities have computerized all the offices responsible for processing the relevant documents and have also trained most of the staff. This has increased the number of licenses issued from 30 per month in 2006 to 140 in 2007. However, more efficient service has also boosted the demand from the private sector. The government is considering ways to increase resources to meet the increased demand.

As of 4 September, 2008, Article 78 of the Law on Environment an inter-ministerial agreement (No. 635-2003) was approved, as well as other implementing regulations, on criterias for different categories of environmental approvals depending on project risks. Commercial warehouses that fit into Category 1 (Art. 5) are only subject to environmental control, not full scale study, at the local level by Office of Municipal Environmental Development and Management ('UGA' or 'UMA'). The time required for such approval has reduced from 45 days to 1 week. It is planned that this requirement which is a precondition for obtaining building permit now will be moved as precondition for operation of the building, and to be complied after the building is completed and all permits are obtained.

The fee for environmental approval, previously calculated as a function of 0,5% of overall project value, is now a fixed rate of HNL 350 (HNL150 for environmental approval and HNL 200 for inspection).

Procedure 3 Request and obtain certification that the company has no unpaid debts

Time to complete: 1 day

Cost to complete: no charge

Agency: Property Registration

Comment: Certification that BuildCo has no outstanding debts is required for projects financed by loans. BuildCo requests certification from the Registrar of Property..

Procedure 4 Request and obtain approval for electric power from the electricity utility

Time to complete: 15 days

Cost to complete: HNL 4,500

Agency: National Electrical Power Company (Empresa Nacional de Energía Eléctrica)

Comment: BuildCo applies for an electricity connection at the National Electrical Power Company (Empresa Nacional de Energía Eléctrica, ENEE) indicating the capacity required for the warehouse. All other required documents confirming the ownership of the land must be presented. In addition, BuildCo must present a separate study: electric design or prime line extension. A certificate of no debts owed must also be presented.

Procedure 5 Request and obtain approval for water and sewerage connection from the water authority

Time to complete: 15 days

Cost to complete: HNL 750

Agency: SANAA

Comment: The committee responsible for approving conditions of water and sewerage connections meets once a week.

Procedure 6 Request and obtain a rainwater drainage feasibility analysis

Time to complete: 7 days

Cost to complete: no charge

Agency: SANAA

Comment: The cost is included in the fee paid to the water company (SANAA) as part of Procedure 7.

Procedure 7 Request and obtain approval of a fixed telephone line from HONDUTEL

Time to complete: 7 days

Cost to complete: HNL 150

Agency: HONDUTEL

Comment: There are several telephone companies in Honduras, and the competition between them has resulted in faster services.

Procedure 8 Request and obtain approval (constancia) from the Public Works Secretary (SOPTRAVI)

Time to complete: 7 days

Cost to complete: HNL 500

Agency: Public Works Secretary (SOPTRAVI)

Comment: Approval from the Public Works Secretary (SOPTRAVI) is required for location clearance. A fee of HNL 300 is charged for approval and a fee of HNL 200 for inspection.

Procedure 9 Request and obtain location clearances from the municipal authority

Time to complete: 2 days

Cost to complete: HNL 150

Agency: Municipal Authority (Alcaldía Municipal)

Comment: The following documents must be presented to obtain a certificate of occupancy (Uso de Suelo y Factibilidad Vial) from the municipality:

- Application.
- Proof of property registration.
- Designs and drawings.
- Approvals from the SANAA and the ENEE, and others.
- Environmental license.

The new city zoning plan that was introduced in early 2008 is currently being operationalized. One of the main features of the plan is the change of zoning from residential to commercial and its further digitization based on maps from Cadastre and Management Engineering (Ingeniería Gerencial). Further the land use regulations were amended in April 2008, introducing categories based on risk factors. This led to improvement of the process of obtaining the location clearance and time reduction from 15 days to 2 days. The application is checked in back office whether the new land use is compatible with land use regulations.

Procedure 10 Request and obtain a building permit

Time to complete: 10 days

Cost to complete: HNL 39,018

Agency: Municipal Authority (Alcaldía Municipal)

Comment: The permit application documents are reviewed by the Legal Department, the Technical Department, the Professional College, the Environmental Section, and the Chief of Construction Permits.

After having submitted the permit application and all other required documents, the applicant pays the application fee at TASA Municipal. The cost of a building permit is calculated using official formula. For projects valued at more than HNL 3 million (in the case considered here, HNL 6,428,622.55), the cost would be HNL 20,897.00 + 0.005% for each million (HNL 150 = HNL 3,000,000).

As of May 27, 2007, the municipality stopped issuing building permits for multistory buildings with commercial/industrial uses, unless the land and all proper zoning were secured prior to this date. This moratorium is to remain in effect for 6 months.

Before starting construction, the company must notify the authority.

Procedure 11 Request electricity services from the ENEE

Time to complete: 1 day

Cost to complete: HNL 54,219

Agency: National Electrical Power Company (Empresa Nacional de Energía Eléctrica)

Comment: In 2005, the ENEE underwent company recapitalization, which added, on top of the requirement of purchasing a transformer, a cost per kilowatt. Each kilowatt (140 total kilowatts) now costs 387.28%

Procedure 12 Receive an inspection by the ENEE

Time to complete: 1 day

Cost to complete: no charge

Agency: National Electrical Power Company (Empresa Nacional de Energía Eléctrica)

Comment: The ENEE sends an inspector to verify the connection's compliance with submitted conditions.

Procedure 13 Receive electricity connection from the ENEE

Time to complete: 14 days

Cost to complete: no charge

Agency: National Electrical Power Company (Empresa Nacional de Energía Eléctrica)

Comment:

Procedure 14 Receive connection to water and sewer system from the SANAA

Time to complete: 15 days

Cost to complete: HNL 30,888

Agency: SANAA

Comment:

Procedure 15 Request a telephone connection from HONDUTEL

Time to complete: 1 day

Cost to complete: HNL 1,192

Agency: Hondutel

Comment:

Procedure 16 Receive an inspection and a fixed telephone line connection from HONDUTEL

Time to complete: 5 days
Cost to complete: no charge
Agency: Hondutel
Comment:

Procedure 17 Register the building in the property registry

Time to complete: 30 days
Cost to complete: HNL 4,478
Agency: Real estate registry (Registro de Bienes Raices)
Comment: Reforms and optimization of electronic processing have significantly decreased the time to register property. However, in 2009 due to administrative backlog and delays with registration process the procedure for registration of building is now taking on average 30 days, compared to previous 16 days. Additionally, the website of Institute of Property (Instituto de Propiedad) has been shutdown.

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

Some reform outcomes

Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003.

Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.

What does the Registering Property indicator measure?

Registering Property: transfer of property between 2 local companies

Rankings are based on 3 subindicators

Procedures to legally transfer title on immovable property (number)

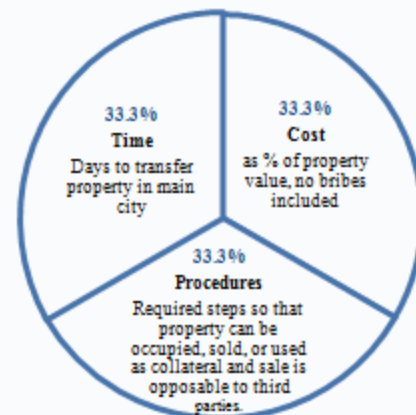
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior personal contact with officials

Cost required to complete each procedure (% of property value)

- Official costs only, no bribes
- No value added or capital gains taxes included



Case Study Assumptions

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

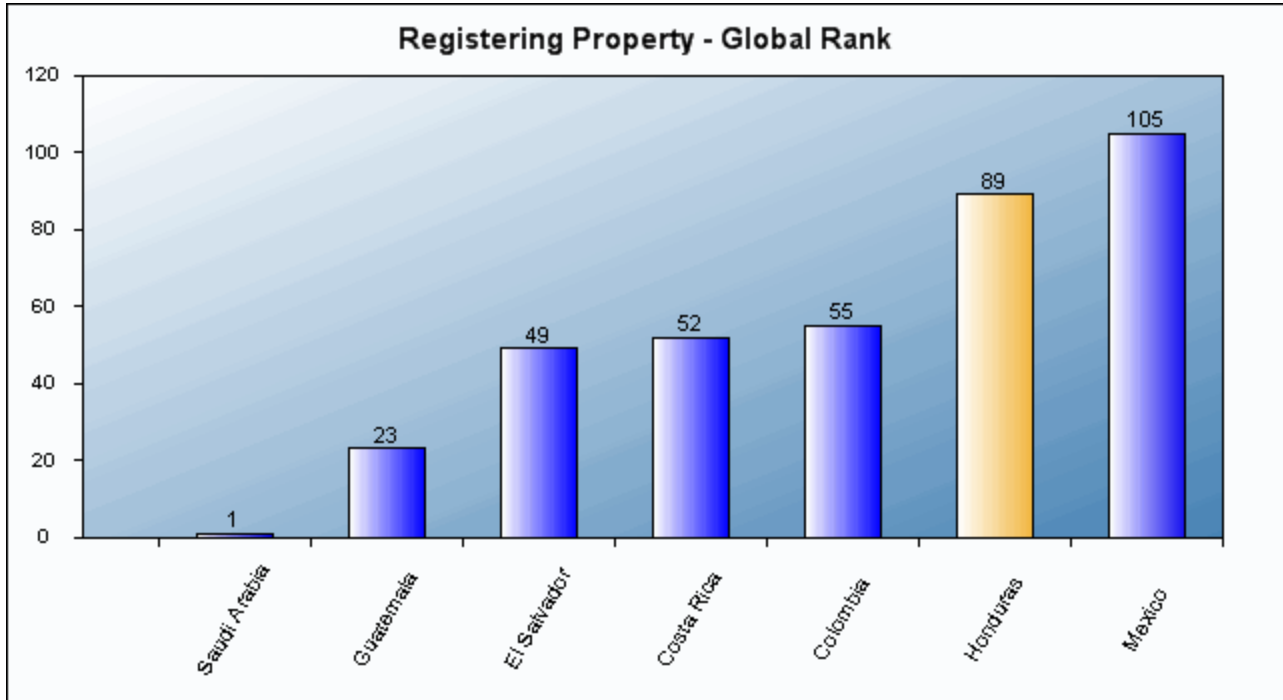
The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of a 557.4 square meters (6,000 square feet) land and 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

1. Benchmarking Registering Property Regulations:

Honduras is ranked 89 overall for Registering Property.

Ranking of Honduras in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for Honduras compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of property value)
New Zealand*		2	
Norway*	1		
Saudi Arabia			0.0

<i>Selected Economy</i>			
Honduras	7	23	5.5

<i>Comparator Economies</i>			
Colombia	7	20	2.0
Costa Rica	6	21	3.4
El Salvador	5	31	3.8
Guatemala	4	23	1.0
Mexico	5	74	5.2

* The following economies are also good practice economies for :

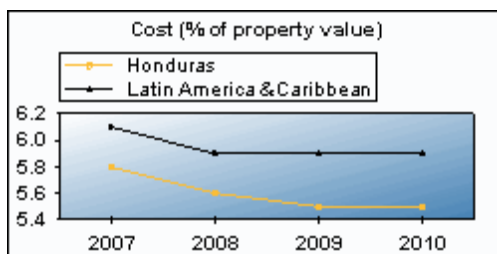
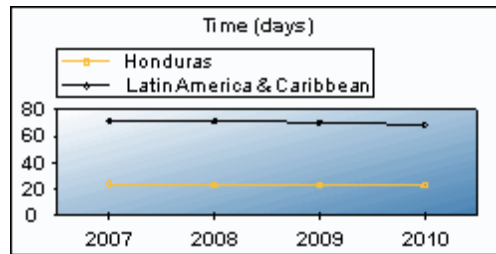
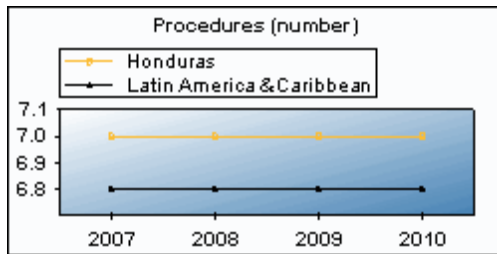
Procedures (number): United Arab Emirates

Time (days): Saudi Arabia, Thailand, United Arab Emirates

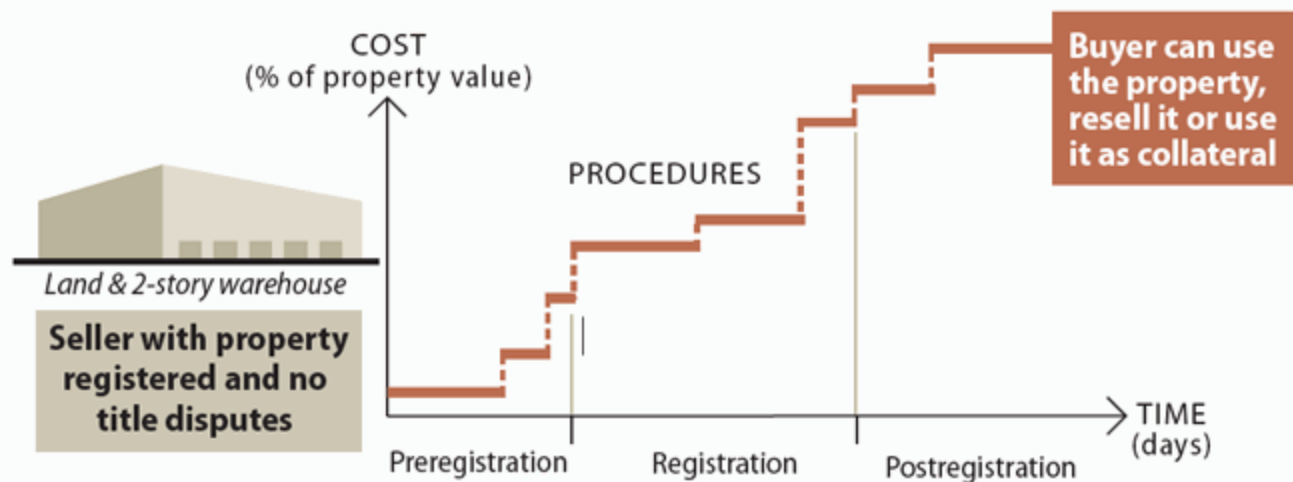
2. Historical data: Registering Property in Honduras

Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	91	89
Procedures (number)	7	7	7	7
Time (days)	24	23	23	23
Cost (% of property value)	5.8	5.6	5.5	5.5

3. The following graphs illustrate the Registering Property sub indicators in Honduras over the past 4 years:



What are the time, cost and number of procedures required to transfer a property between 2 local companies?



This topic examines the steps, time, and cost involved in registering property in Honduras.

STANDARDIZED PROPERTY

Property Value: 1,789,910.79

City: Tegucigalpa

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Verification of property background	1 day	HNL 550 (HNL 300 for full certificate “certificación integra” + HNL 250 for non-encumbrance certificate “certificado de libertad de gravamen”)
2	Verification that the municipal taxes have been paid	2 days	No cost
3	The notary issues the deed (preliminary)	2 days	3-5% of transaction price (Notary’s fees)
4	Payment at the bank of taxes and fees	1 day	1.5% of property price (Transfer Tax)
5	Notary issues the final copy of the deed (“Testimonio”)	1 day	no additional cost
6	Registration at the Property registry	14 days	No cost

7 Register the change of ownership in the Cadastre
office

2 days

HNL 250

Registering Property Details - Honduras

Procedure	1	Verification of property background
Time to complete:	1 day	
Cost to complete:	HNL 550 (HNL 300 for full certificate “certificación integra” + HNL 250 for non-encumbrance certificate “certificado de libertad de gravamen”)	
Agency:	Registro de la Propiedad	
Comment:	It is necessary to have the previous registration numbers to see who are the owners and if there have been any mortgages or the property has been sold. quiénes son los propietarios y si han constituido alguna hipoteca o gravamen o han vendido a terceros. The buyer can verify the property background at the on-line Unified Registry System (SURE): www.ip.hn . However, in practice there are many problems with the SURE, so users tend to go to the registry.	
Procedure	2	Verification that the municipal taxes have been paid
Time to complete:	2 days	
Cost to complete:	No cost	
Agency:	Dirección General de Catastro y Geografía (Alcaldía Municipal)	
Comment:	The municipal tax number of the property is needed to check who is the registered owner of the land in the cadastre.	
Procedure	3	The notary issues the deed (preliminary)
Time to complete:	2 days	
Cost to complete:	3-5% of transaction price (Notary’s fees)	
Comment:	After getting the legal documentation from the parties, the notary issues the preliminary deed (“escritura matriz”). Notary’s fees are usually calculated based on the market value of the property according to regulations setting minimum tariffs. For properties with a value below HNL 25,000, the rate cannot be below HNL 1000 while for properties with a higher value, the fee cannot be below 3% of the property value. Fees are negotiated between the notary and parties.	
Procedure	4	Payment at the bank of taxes and fees
Time to complete:	1 day	
Cost to complete:	1.5% of property price (Transfer Tax)	
Agency:	Commercial Bank	
Comment:	The transfer tax (1.5% of value of property, for urban property with improvements) must be paid at a bank. The taxes are calculated based on either the official value of the property (determined by the Cadastre for tax purposes) or the insured value, whichever is higher.	

With the introduction of the Property Law in 2004, the transfer tax was cut from 3 to 1.5%, the registration rights and the stamps have been eliminated.

Procedure 5 Notary issues the final copy of the deed (“Testimonio”)

Time to complete: 1 day

Cost to complete: no additional cost

Comment: After receiving the receipts of the payment of the taxes and fees in the previous step, the notary issues the final copy of the deed ("testimonio"), which should be presented later at the Property Office.

Procedure 6 Registration at the Property registry

Time to complete: 14 days

Cost to complete: No cost

Agency: Property registry (“Instituto de la Propiedad”)

Comment: The new deed must be registered in the Property Office by the notary.

Procedure 7 Register the change of ownership in the Cadastre office

Time to complete: 2 days

Cost to complete: HNL 250

Agency: Cadastre ("Dirección General de Catastro y Geografía")

Comment: The change of ownership must be registered in the Cadastre office ("Dirección General de Catastro y Geografía") by the notary or the buyer. The deed duly registered in Procedure 6 must be presented at the cadastre.

Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the ‘information asymmetry’ in lending and enable lenders to view a borrower’s financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor’s rights has been associated with higher ratios of private sector credit to GDP.

Some reform outcomes

After Vietnam’s new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).

In 2008, when Zambia established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.

What do the Getting Credit indicators measure?

Strength of legal rights index (0–10)

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors’ rights through bankruptcy laws

Depth of credit information index (0–6)

- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

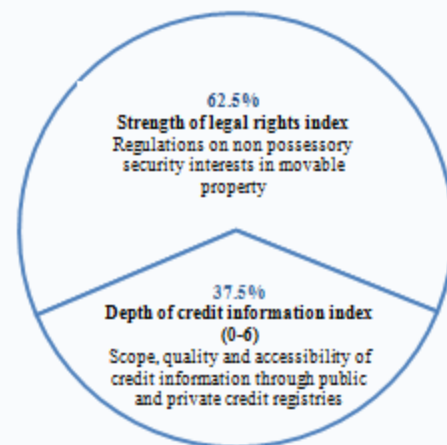
Public credit registry coverage (% of adults)

- Number of individuals and firms listed in public credit registry as percentage of a adult population

Private credit bureau coverage (% of adults)

- Number of individuals and firms listed in largest private credit bureau as percentage of a adult population

Getting Credit: collateral rules and credit information



Note: Private bureau coverage and public credit registry coverage are measured but do not count for the rankings.

Case Study Assumptions (applying to the Legal Rights Index only)

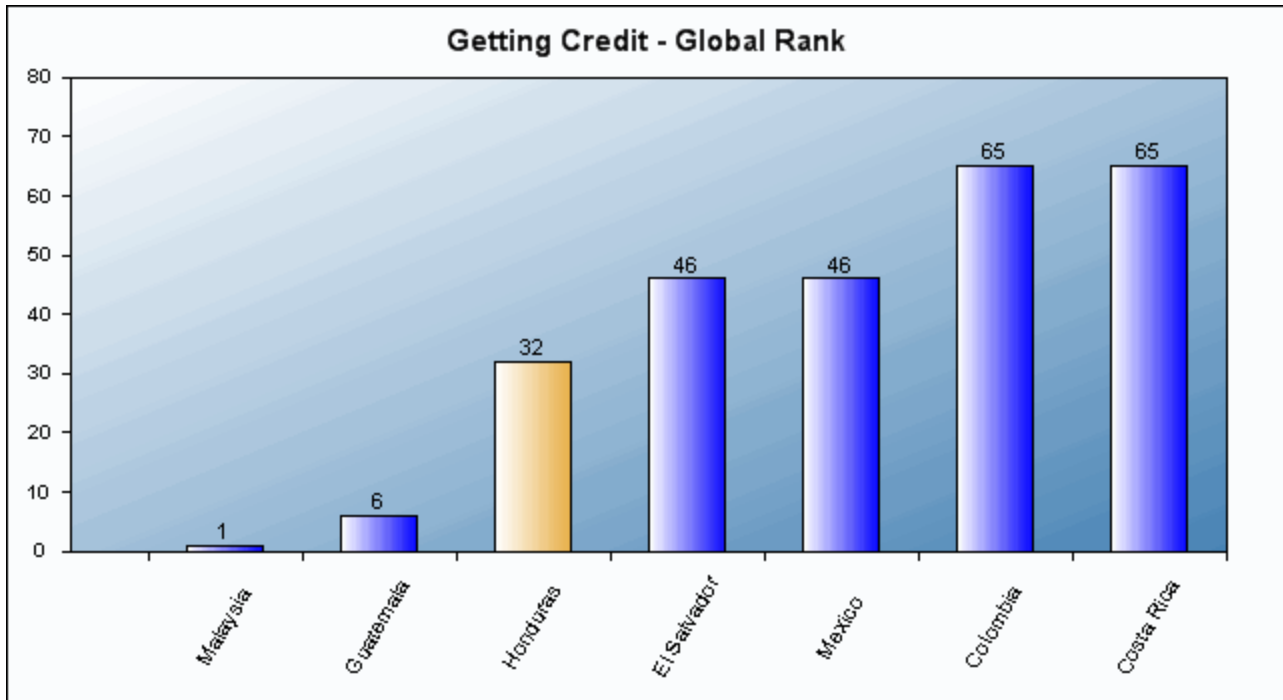
The Debtor

- is a Private Limited Liability Company
- has its Headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both creditor and debtor are 100% domestically owned.

1. Benchmarking Getting Credit Regulations:

Honduras is ranked 32 overall for Getting Credit.

Ranking of Honduras in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for Honduras compared to good practice and comparator economies:

Good Practice Economies	Strength of legal rights index (0-10)	Depth of credit information index (0-6)	Public registry coverage (% of adults)	Private bureau coverage (% of adults)
New Zealand*				100.0
Portugal			67.1	
Singapore*	10			
United Kingdom		6		

<i>Selected Economy</i>				
Honduras	6	6	22.7	100.0

<i>Comparator Economies</i>				
Colombia	5	5	0.0	63.1
Costa Rica	5	5	23.3	64.8
El Salvador	5	6	21.8	95.0
Guatemala	8	6	16.4	8.8
Mexico	5	6	0.0	71.6

* The following economies are also good practice economies for :

Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia

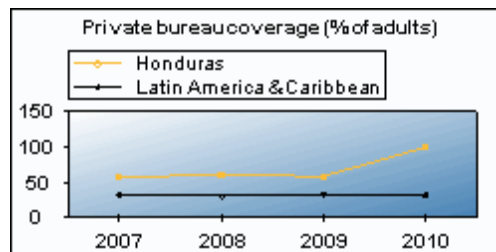
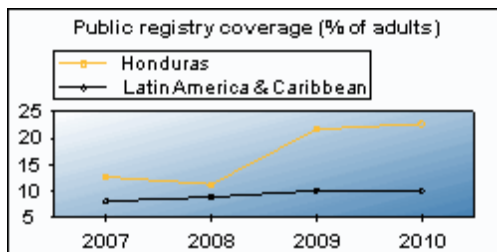
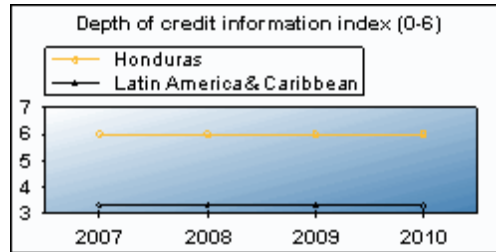
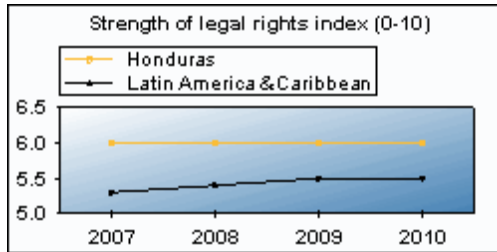
Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States

27 countries have the highest credit information index.

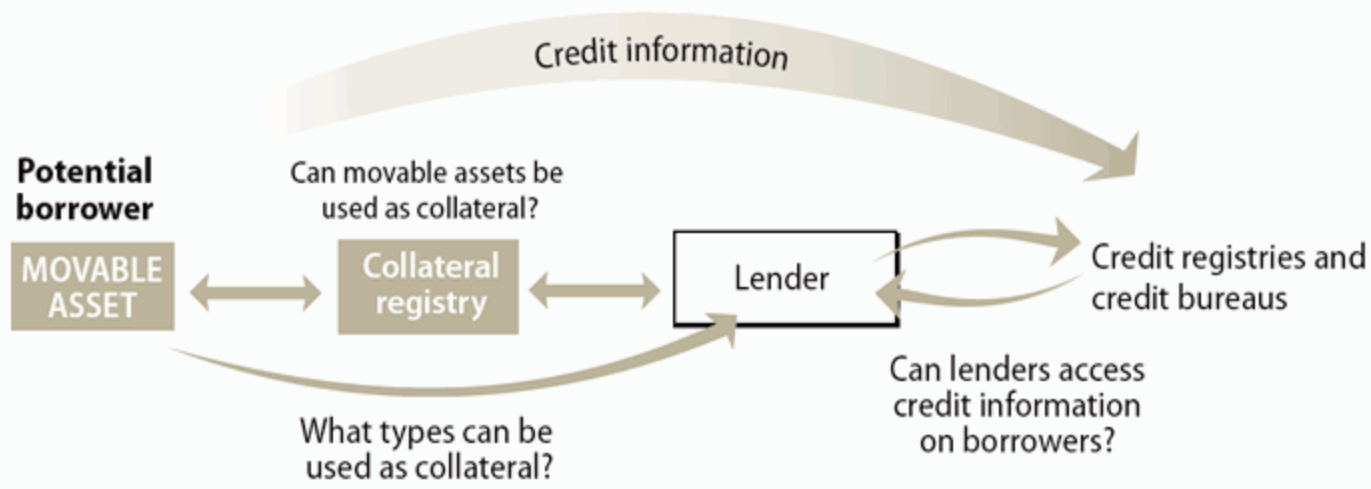
2. Historical data: Getting Credit in Honduras

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	30	32
Strength of legal rights index (0-10)	6	6	6	6
Depth of credit information index (0-6)	6	6	6	6
Private bureau coverage (% of adults)	58.0	60.5	58.7	100.0
Public registry coverage (% of adults)	12.7	11.3	21.7	22.7

3. The following graphs illustrate the Getting Credit sub indicators in Honduras over the past 4 years:



**Do lenders have credit information on entrepreneurs seeking credit?
Is the law favorable to borrowers and lenders using movable assets as collateral?**



The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Honduras.

Getting Credit Indicators (2010)			Indicator
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	6
Are data on both firms and individuals distributed?	Yes	Yes	1
Are both positive and negative data distributed?	Yes	Yes	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	Yes	No	1
Are more than 2 years of historical credit information distributed?	Yes	Yes	1
Is data on all loans below 1% of income per capita distributed?	Yes	Yes	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	Yes	1
Coverage	100.0	22.7	
Number of individuals	4,439,380	1,000,590	
Number of firms	638,493	49,760	

Strength of legal rights index (0-10)**6**

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?

Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?

Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?

May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?

Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?

Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?

Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?

Do secured creditors have absolute priority to their collateral in bankruptcy procedures?

During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?

Does the law authorize parties to agree on out of court enforcement?

Stronger investor protections matter for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. This is all the more crucial in times of financial crisis when entrepreneurs must navigate through defiant environments to finance their activities. Using 3 indices of investor protection, *Doing Business* measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gains. Since 2005, 51 economies have strengthened investor protections as measured by *Doing Business*.

Some reform outcomes

In Indonesia, an economy that consistently improved its laws regulating investor protections, the number of firms listed on the Indonesia Stock Exchange increased from 331 to 396 between 2004 and 2009. Meanwhile, market capitalization grew from 680 trillion rupiah (\$75 billion) to 1,077 trillion rupiah (\$119 billion).

After Thailand amended its laws in 2006 and 2008, more than 85 transactions that failed to comply with the disclosure standards were suspended. Thirteen were deemed prejudicial and were therefore canceled, thus preventing damage to the companies involved and preserving their value. Companies were not deterred either, as more than 30 new companies joined the stock exchange since 2005 bringing the number of listed companies to 523.

What do the Protecting Investors indicators measure?

Extent of disclosure index (0–10)

- Who can approve related-party transactions
- Requirements for external and internal disclosure in case of related-party transactions

Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

Ease of shareholder suits index (0–10)

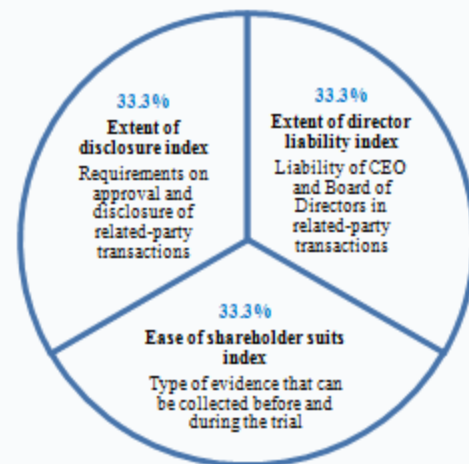
- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

Protecting Investors: minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators



Case Study Assumptions

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders),
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

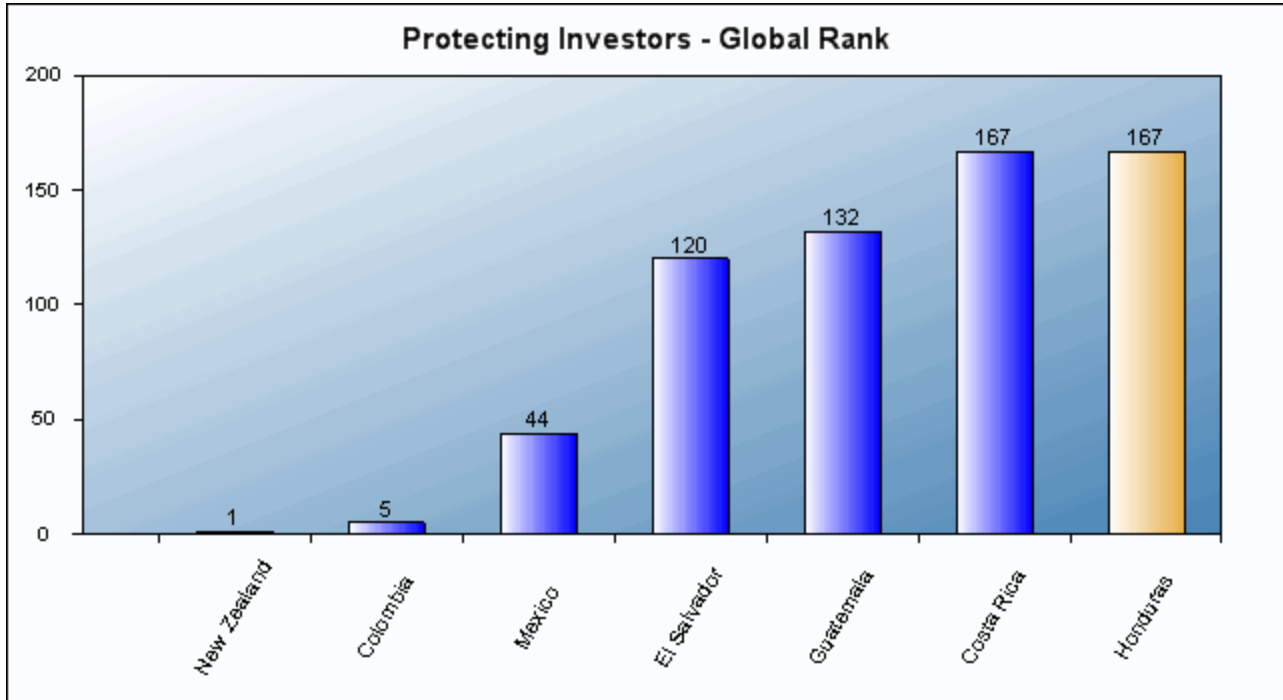
The transaction

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company.
- Shareholders sue the interested parties and the members of the board of directors.

1. Benchmarking Protecting Investors Regulations:

Honduras is ranked 167 overall for Protecting Investors.

Ranking of Honduras in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for Honduras compared to good practice and comparator economies:

Good Practice Economies	Strength of investor protection index (0-10)
New Zealand	9.7

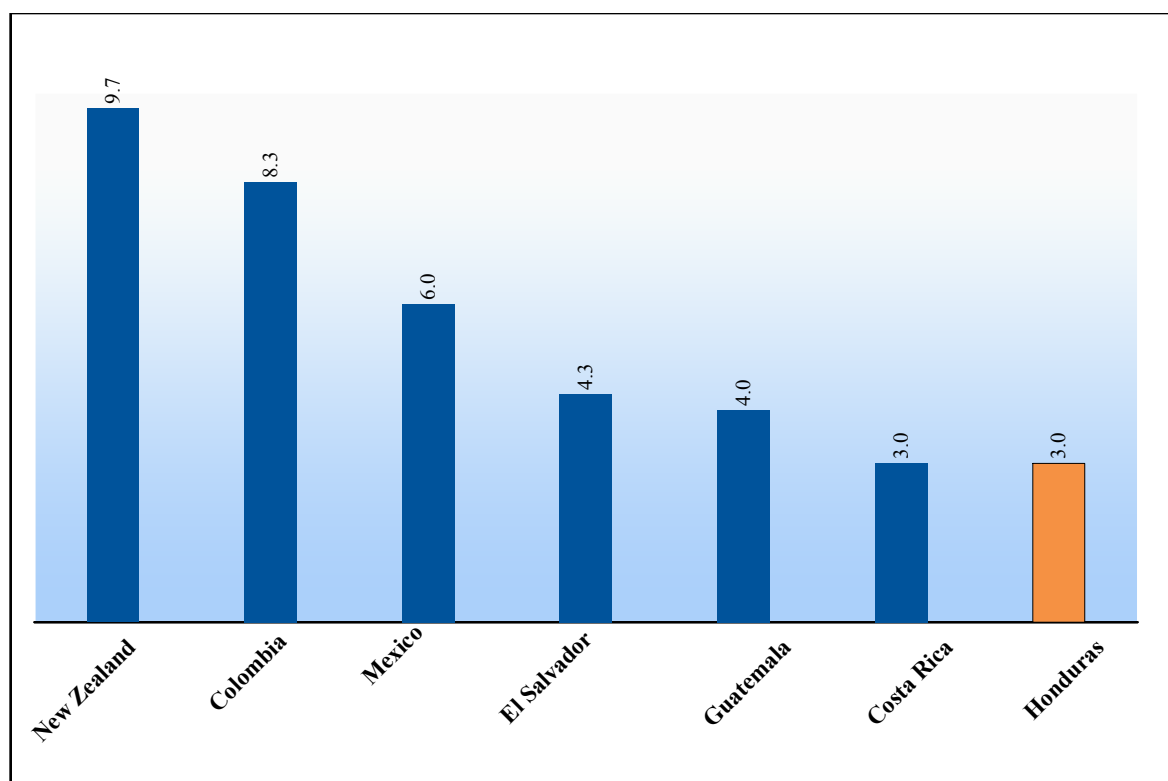
<i>Selected Economy</i>	
Honduras	3.0

<i>Comparator Economies</i>	
Colombia	8.3
Costa Rica	3.0
El Salvador	4.3
Guatemala	4.0
Mexico	6.0

2. Historical data: Protecting Investors in Honduras

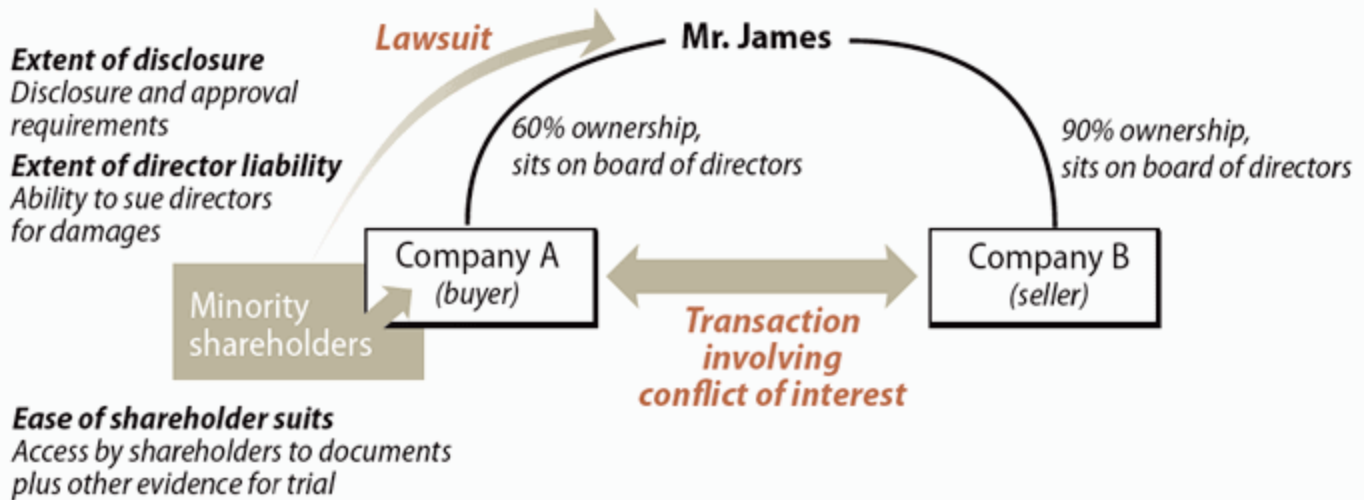
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	165	167
Strength of investor protection index (0-10)	3.0	3.0	3.0	3.0

3. The following graph illustrates the Protecting Investors index in Honduras compared to best practice and selected Economies:



Note: The higher the score, the greater the investor protection.

How well are minority shareholders protected against self-dealing in related-party transactions?



The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Honduras.

Protecting Investors Data (2010)	Indicator
Extent of disclosure index (0-10)	0
What corporate body provides legally sufficient approval for the transaction?	0
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	0
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	0
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	0
Whether an external body must review the terms of the transaction before it takes place?	0
Extent of director liability index (0-10)	5
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	1

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	1
Whether fines and imprisonment can be applied against Mr. James?	1
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	0
Ease of shareholder suits index (0-10)	4
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	3
Whether the plaintiff can directly question the defendant and witnesses during trial?	1
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	0
Whether the level of proof required for civil suits is lower than that of criminal cases?	0
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	0
Strength of investor protection index (0-10)	3.0

Taxes are essential to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity. More than 60% of economies have reformed in the last 6 years and are starting to see concrete results.

Some reform outcomes

Colombia introduced a new electronic system for social security and labor taxes in 2006 and by 2008 the social security contributions collected from small and medium-size companies rose by 42%, to 550 billion pesos.

Mauritius reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry-specific allowances in 2006 and saw their corporate income tax revenue grow by 27% in the following year, and in 2008/09 it increased by 65%.

What do the Paying taxes indicators measure?

Tax payments for a manufacturing company in 2009
(number per year adjusted for electronic or joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

Time required to comply with 3 major taxes (hours per year)

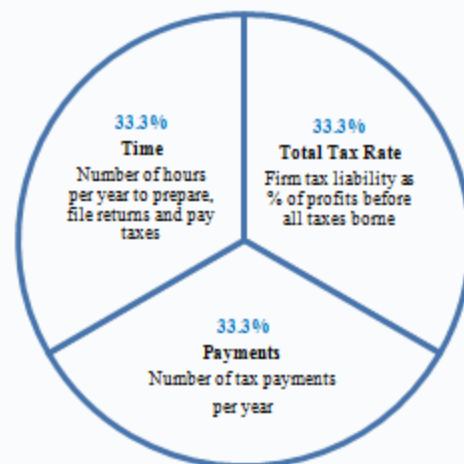
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

Total tax rate (% of profit)

- Profit or corporate income tax
- Mandatory social contributions and labor taxes paid by the employer
- Property and property transfer taxes
- Dividend, capital gains and financial transactions taxes
- Waste collection, vehicle, road and other taxes

Paying Taxes: tax compliance for a local manufacturing company

Rankings are based on 3 subindicators



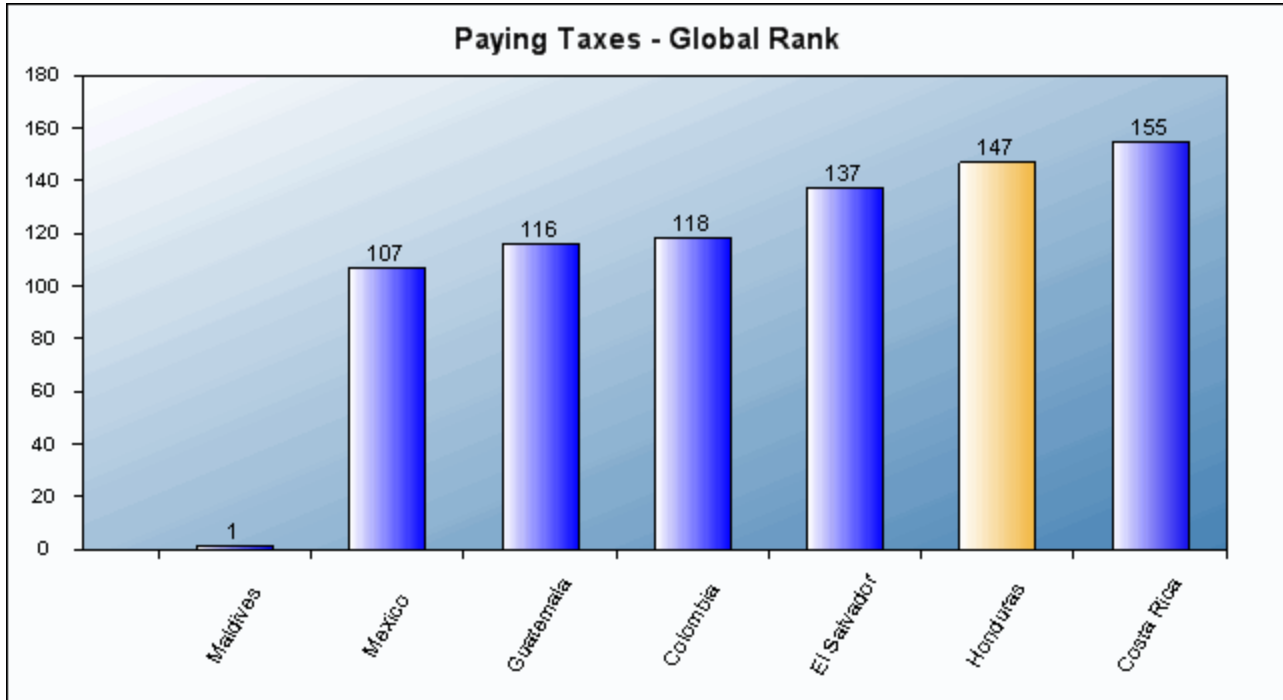
Case Study Assumptions

- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its financial statements, as well as a standard list of transactions that the company completed during the year.
- Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

1. Benchmarking Paying Taxes Regulations:

Honduras is ranked 147 overall for Paying Taxes.

Ranking of Honduras in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for Honduras compared to good practice and comparator economies:

Good Practice Economies	Payments (number per year)	Time (hours per year)	Total tax rate (% profit)
Maldives*	3	0	
Timor-Leste			0.2

<i>Selected Economy</i>			
Honduras	47	224	48.3

<i>Comparator Economies</i>			
Colombia	20	208	78.7
Costa Rica	42	272	55.0
El Salvador	53	320	35.0
Guatemala	24	344	40.9
Mexico	6	404	50.5

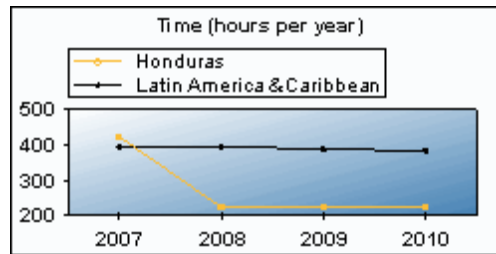
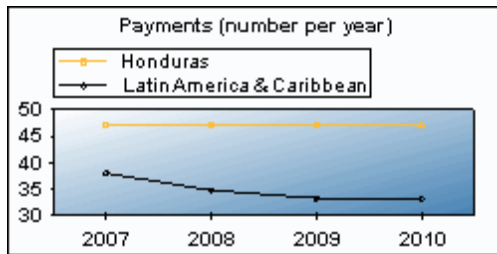
* The following economies are also good practice economies for :

Payments (number per year): Qatar

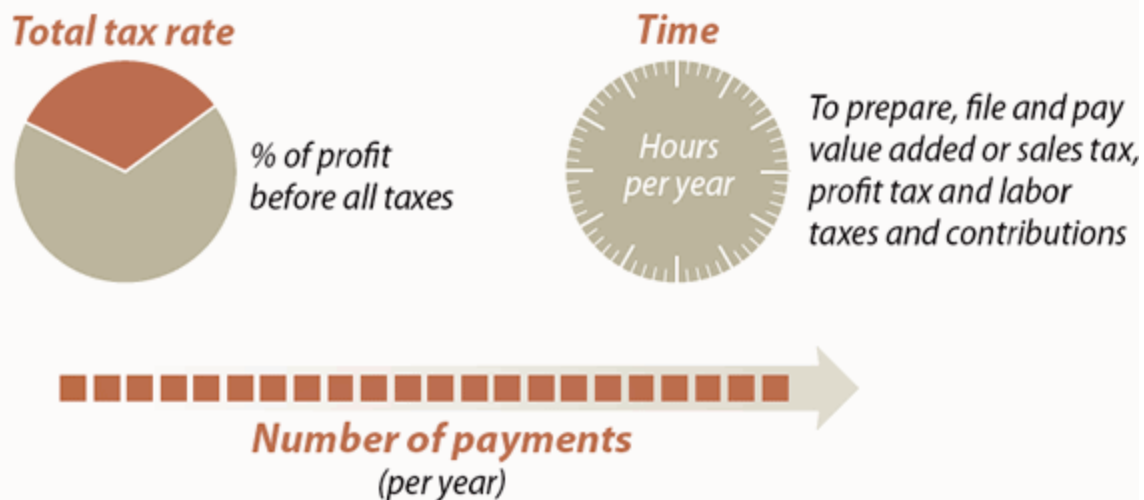
2. Historical data: Paying Taxes in Honduras

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	144	147
Total tax rate (% profit)	48.5	48.3	48.3	48.3
Payments (number per year)	47	47	47	47
Time (hours per year)	424	224	224	224

3. The following graphs illustrate the Paying Taxes sub indicators in Honduras over the past 4 years:



What are the time, total tax rate and number of payments necessary for a local medium-sized company to pay all taxes?



The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Honduras, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Value added tax (VAT)	12		96	12.0%	value added		
Stamp duty	1			20 Lps. For contracts with a value less than 1,000; 1.5 Lempiras per 1,000 of value of transaction	transaction value		
Tax on interest	0	withheld		10.0%	interest above 50,000 Lps	0.00	
Vehicle tax	1			fixed fee (Lps 2,200)		0.20	
Municipal property tax	12			3.5 Laps. Per 1,000	property value	0.50	
Fuel tax	1			0.6106\$ Per gallon	fuel consumption	0.60	
Capital gains tax	1			10.0%	capital gains	1.00	

Professional training tax -INFOP	1	online filing	1.0%	gross salaries	1.10
Pension contribution -RAP	0		1.5%	gross salaries	1.70
Fixed assets tax	1		1.0%	assets value	2.60
Solidarity tax	0		5.0%	taxable profit	4.30
Municipal tax on industry and commerce	1		0.4%	sales	7.10
Social security tax	12	93	7.0%	gross salaries	7.90
Corporate income tax	4	35	25.0%	taxable profit	21.40
Totals	47	224			48.3

Making trade between countries easier is increasingly important for business in today's globalized world. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Trade facilitation tools such as electronic data interchange systems, risk-based inspections, and single windows help improve an economy's trading environment and boost firms' international competitiveness. *Doing Business* trade indicators take into account documents, cost and time associated with every procedure for trading a standard shipment of goods by ocean transport. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading costs than from a similar decrease of the tariffs applied to their products in global markets.

Some reform outcomes

In Georgia, reducing customs clearance time by a day has led to operational savings of an estimated \$288 per truck, or an annual \$133 million for the country's whole trading community given the growing amount of cross-border trade in recent years.

In Korea, predictable cargo processing times and rapid turnover by ports and warehouses provide a benefit to the Korean economy of some \$2 billion annually.

What do the Trading Across Borders indicators measure?

Trading Across Borders: exporting and importing by ocean transport

Rankings are based on 3 subindicators

Documents required to export and import (number)

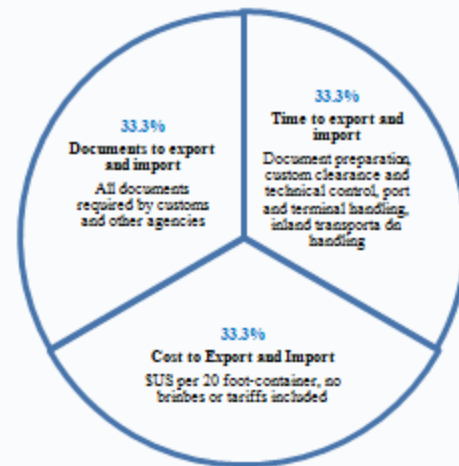
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes



Case Study Assumptions

The Business

- Has at least 60 employees and is located in the economy's largest business city
- Is a private, limited liability company, which exports more than 10% of its sales. It is fully domestically owned and does not operate in an export processing zone or an industrial estate with special export or import privileges

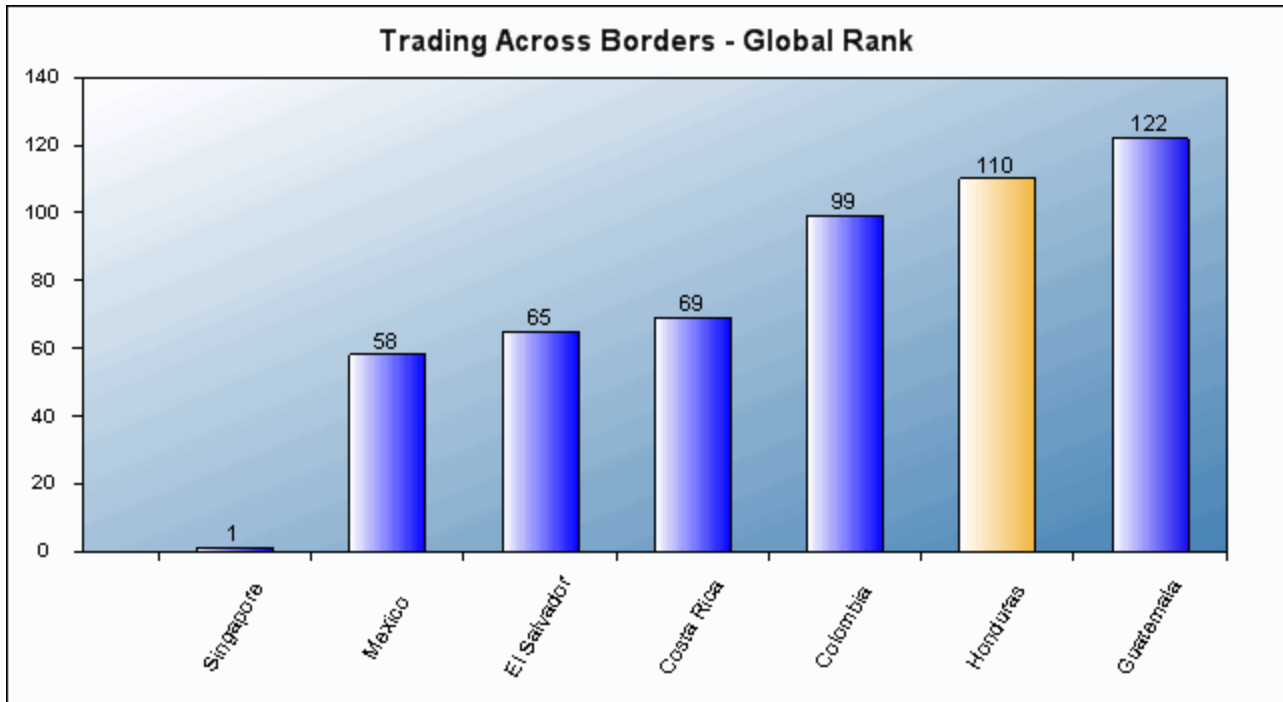
The traded product

- Is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000
- Is not hazardous or include military items; it does not require special phytosanitary or environmental safety standards, refrigeration or any other special environment
- Is one of the economy's leading export or import products

1. Benchmarking Trading Across Borders Regulations:

Honduras is ranked 110 overall for Trading Across Borders.

Ranking of Honduras in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for Honduras compared to good practice and comparator economies:

Good Practice Economies	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
Denmark*		5				
France	2			2		
Malaysia			450			
Singapore					4	439

<i>Selected Economy</i>						
Honduras	6	19	1193	10	23	1205

<i>Comparator Economies</i>						
Colombia	6	14	1770	8	13	1700
Costa Rica	6	13	1190	7	15	1190
El Salvador	8	14	845	8	10	845
Guatemala	10	17	1182	10	17	1302
Mexico	5	12	1420	4	12	1880

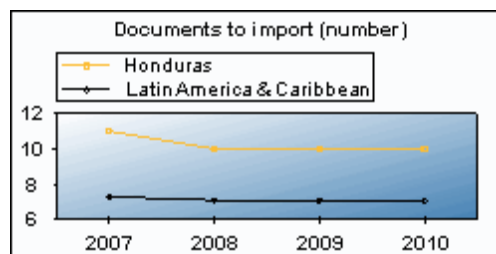
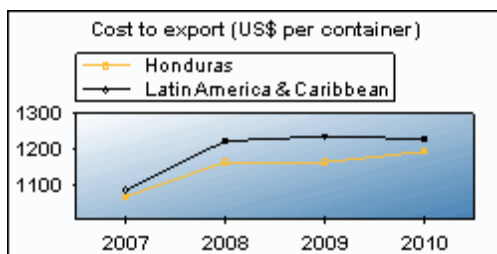
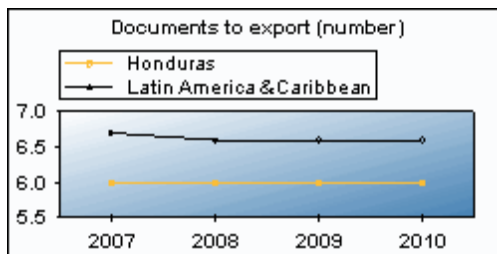
* The following economies are also good practice economies for :

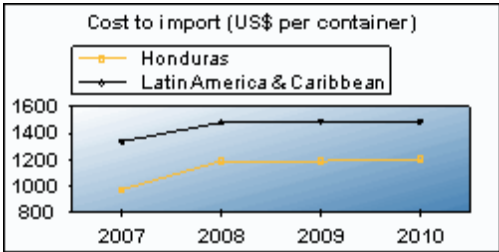
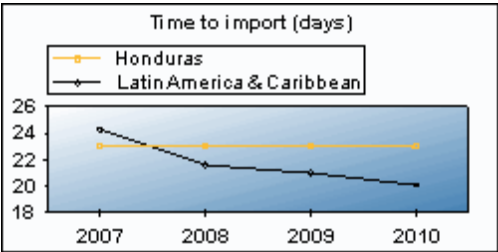
Time to export (days): Estonia

2. Historical data: Trading Across Borders in Honduras

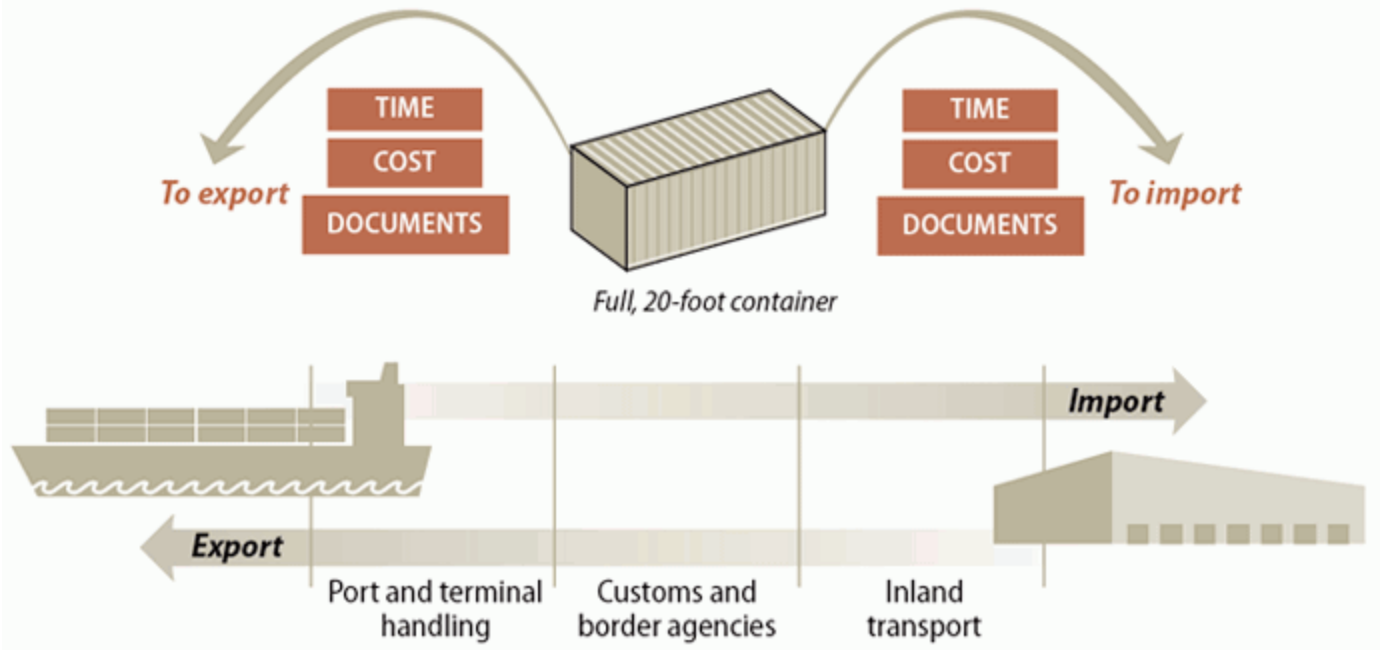
Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	107	110
Cost to export (US\$ per container)	1065	1163	1163	1193
Cost to import (US\$ per container)	975	1190	1190	1205
Documents to export (number)	6	6	6	6
Documents to import (number)	11	10	10	10
Time to export (days)	19	19	19	19
Time to import (days)	23	23	23	23

3. The following graphs illustrate the Trading Across Borders sub indicators in Honduras over the past 4 years:





How much time, how many documents and what cost to export and import across borders by ocean transport?



These tables list the procedures necessary to import and export a standardized cargo of goods in Honduras. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	14	257
Customs clearance and technical control	3	90
Ports and terminal handling	1	146
Inland transportation and handling	1	700
Totals	19	1193

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	15	275
Customs clearance and technical control	4	90
Ports and terminal handling	2	140
Inland transportation and handling	2	700
Totals	23	1205

Documents for Export and Import

Export

- Bill of lading
- Certificate of origin
- Commercial invoice
- Customs export declaration
- Foreign exchange authorization
- Packing List

Import

- Bill of lading
- Certificate of origin
- Commercial invoice
- Customs import declaration
- Packing list
- Pre-shipment inspection clean report of findings
- Tax certificate
- Cargo release order
- Collection order
- Terminal handling receipts

Well functioning courts help businesses expand their network and markets. Where contract enforcement is efficient, firms have greater access to credit and are more likely to engage with new borrowers or customers. *Doing Business* measures the efficiency of the judicial system in resolving a commercial sale dispute before local courts. Following the step-by-step evolution of a standardized case study, data relating to the time, cost and procedural complexity of resolving a commercial lawsuit are collected through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Some reform outcomes

In Rwanda the implementation of specialized commercial courts in May 2008 resulted in a significant decrease of the case backlog, and contributed to reduce the time to resolve a commercial dispute by nearly 3 months.

In Austria a "data highway" for the courts that allows attachments to be sent electronically has produced savings of €4.4 million in postage alone.

What do the Enforcing Contracts indicators measure?

Enforcing Contracts: resolving a commercial dispute through the courts

Rankings are based on 3 subindicators

Procedures to enforce a contract (number)

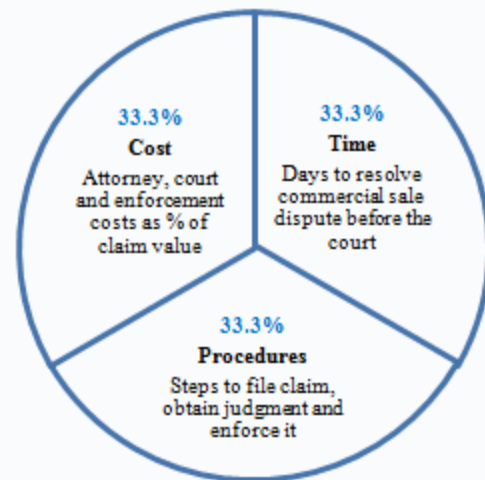
- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

Time required to complete procedures (calendar days)

- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

Cost required to complete procedures (% of claim)

- No bribes
- Average attorney fees
- Court costs, including expert fees
- Enforcement costs



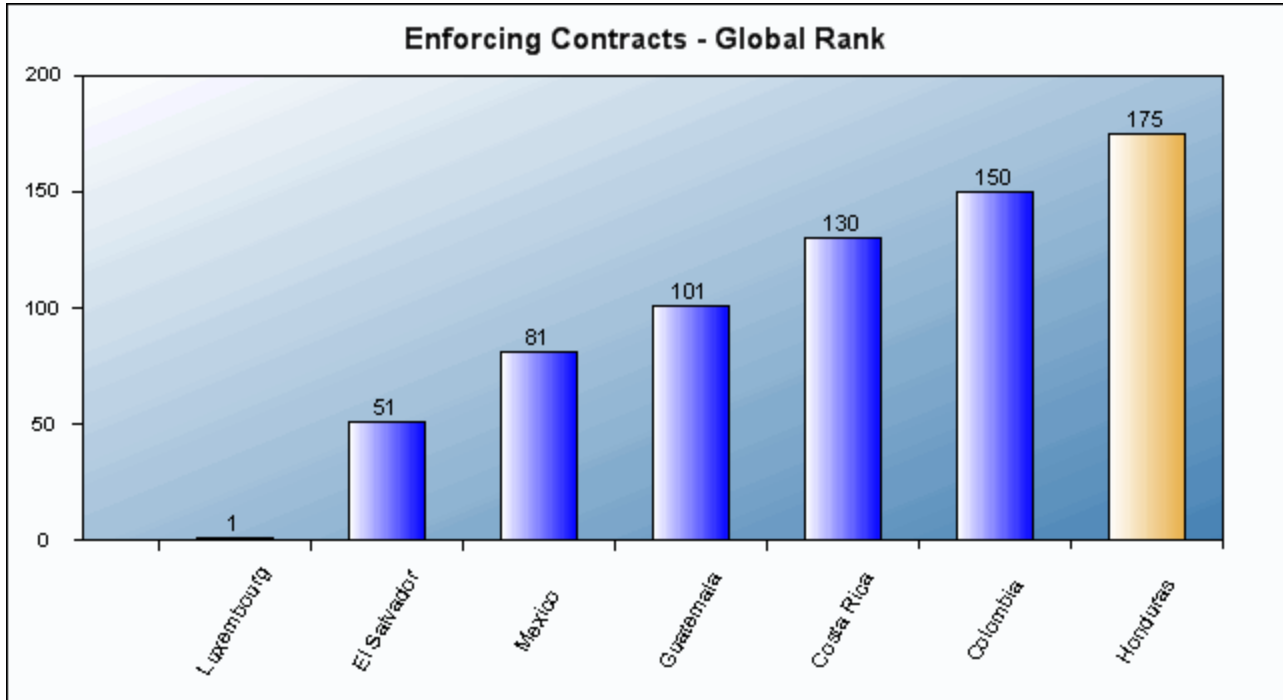
Case Study Assumptions

- Seller and Buyer are domestic companies
- Buyer orders custom-made goods, then does not pay
- Seller sues Buyer before competent court
- Value of claim is 200% of GNI per capita
- Seller requests pre-trial attachment to secure claim
- Dispute on quality of the goods requires expert opinion
- Judge decides in favor of Seller, no appeal
- Seller enforces judgment through a public sale of Buyer's movable assets.

1. Benchmarking Enforcing Contracts Regulations:

Honduras is ranked 175 overall for Enforcing Contracts.

Ranking of Honduras in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for Honduras compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of claim)
Bhutan			0.1
Ireland	20		
Singapore		150	

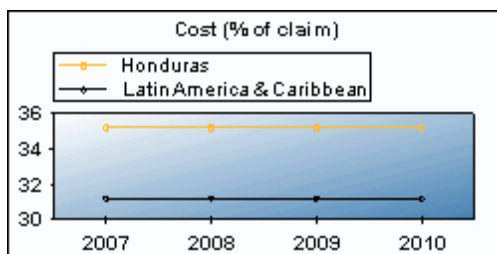
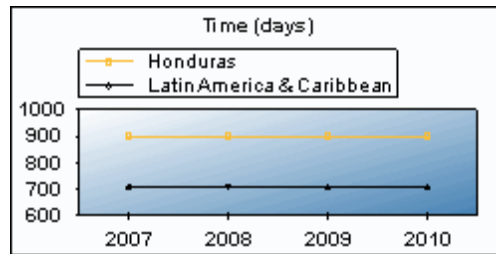
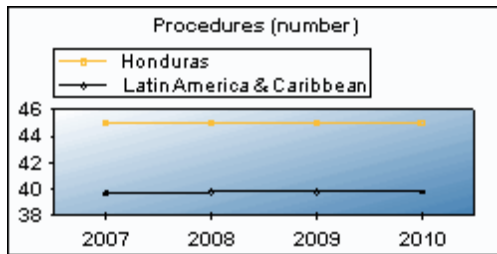
<i>Selected Economy</i>			
Honduras	45	900	35.2

<i>Comparator Economies</i>			
Colombia	34	1346	47.9
Costa Rica	40	852	24.3
El Salvador	30	786	19.2
Guatemala	31	1459	26.5
Mexico	38	415	32.0

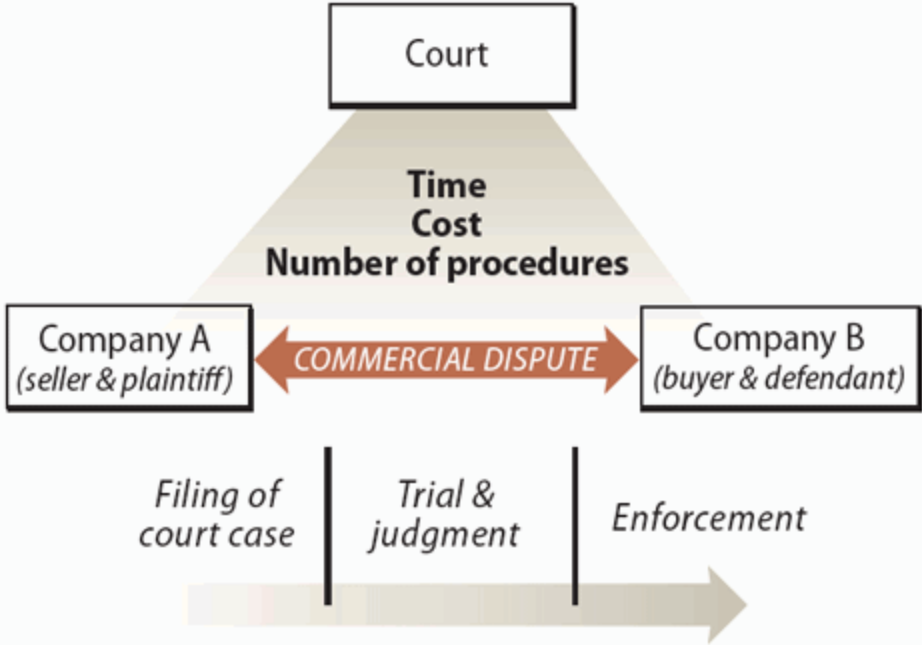
2. Historical data: Enforcing Contracts in Honduras

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	175	175
Procedures (number)	45	45	45	45
Time (days)	900	900	900	900
Cost (% of claim)	35.2	35.2	35.2	35.2

3. The following graphs illustrate the Enforcing Contracts sub indicators in Honduras over the past 4 years:



What are the time, cost and number of procedures to resolve a commercial dispute through the courts?



This topic looks at the efficiency of contract enforcement in Honduras.

Nature of Procedure (2010)	Indicator
Procedures (number)	45
Time (days)	900
Filing and service	60.0
Trial and judgment	660.0
Enforcement of judgment	180.0
Cost (% of claim)*	35.20
Attorney cost (% of claim)	25.0
Court cost (% of claim)	2.1
Enforcement Cost (% of claim)	8.1

Court information: Unified Civil District Court of ("Juzgado de Letras Unificado de lo Civil de Francisco
Francisco Morazán Morazán")

* Claim assumed to be equivalent to 200% of income per capita.

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in businesses' speedy return to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses, and thereby improve growth and sustainability in the economy overall.

Some reform outcomes

A study of the 2005 bankruptcy reform in Brazil found that it had led to an average reduction of 22% in the cost of credit for Brazilian companies, a 39% increase in overall credit and a 79% increase in long-term credit in the economy. The purpose of the reform was to improve creditor protection in insolvency proceedings.

Following the introduction of debtor-in-possession reorganizations in Korea in 2006, the number of reorganization filings increased from 76 in 2006 to 670 in 2009.

What does the Closing a Business indicator measure?

Closing a Business: insolvency proceedings against local company

Time required to recover debt (years)

- Measured in calendar years
- Appeals and requests for extension are included

Cost required to recover debt (% of debtor's estate value)

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- All other fees and costs

Recovery rate for creditors (cents on the dollar)

- Measures the cents on the dollar recovered by creditors
- Present value of debt recovered
- Costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Outcome for the business (survival or not) affects the maximum value that can be recovered



Case Study Assumptions

The Company

- is domestically owned
- is a limited liability company operating a hotel
- operates in the economy's largest business city
- has 201 employees, 1 secured creditor and 50 unsecured creditors
- has a higher value as a going concern and a lower value in a piecemeal sale of assets

1. Benchmarking Closing Business Regulations:

Honduras is ranked 120 overall for Closing a Business.

Ranking of Honduras in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for Honduras compared to good practice and comparator economies:

Good Practice Economies	Recovery rate (cents on the dollar)	Time (years)	Cost (% of estate)
Ireland		0.4	
Japan	92.7		
Singapore*			1

<i>Selected Economy</i>			
Honduras	19.9	3.8	15

<i>Comparator Economies</i>			
Colombia	62.4	3.0	1
Costa Rica	21.2	3.5	15
El Salvador	29.2	4.0	9
Guatemala	27.5	3.0	15
Mexico	66.7	1.8	18

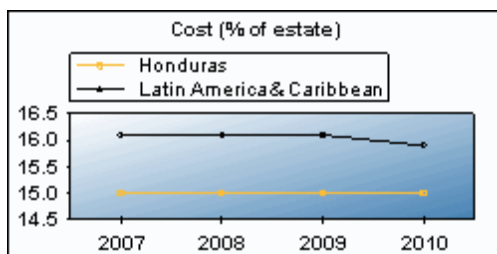
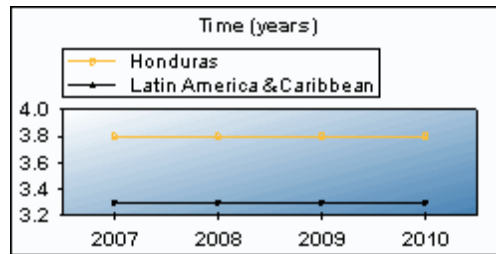
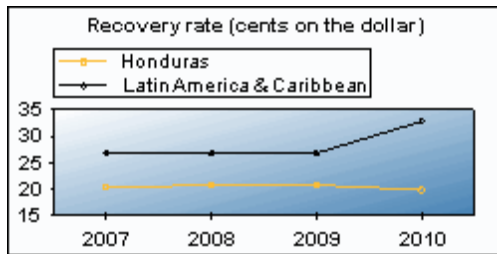
* The following economies are also good practice economies for :

Cost (% of estate): Colombia, Kuwait, Norway

2. Historical data: Closing Business in Honduras

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	117	120
Time (years)	3.8	3.8	3.8	3.8
Cost (% of estate)	15	15	15	15
Recovery rate (cents on the dollar)	20.3	20.8	20.8	19.9

3. The following graphs illustrate the Closing Business sub indicators in Honduras over the past 4 years:



Since 2004 Doing Business has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening access to credit and enforcing contracts by measuring their impact on 10 indicator sets . * Nearly 1,000 reforms have had an impact on these indicators. *Doing Business 2011*, covering June 2009 to June 2010, reports that 117 economies implemented 216 reforms to make it easier to start a business. 64% of economies measured by Doing Business have reformed this year, focusing on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

The top 10 most-improved in Doing Business 2011

Economy	Indicator									
	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Employing Workers
Kazakhstan	✓	✓				✓	✓			
Rwanda		✓		✓			✓			
Peru	✓	✓	✓				✓			
Vietnam	✓	✓		✓						
Cape Verde	✓		✓				✓			
Tajikistan	✓				✓		✓			
Zambia	✓						✓	✓		
Hungary		✓	✓				✓			✓
Grenada	✓		✓				✓			
Brunei Darussalam	✓						✓	✓		

 Positive Change
 Negative Change

* For *Doing Business 2011* the Employing Workers indicator is not included in the aggregate ease of doing business ranking.

Summary of changes to business regulation in top 10 most improved economies in *Doing Business 2011* and selected comparator economies.

Brunei Darussalam	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
Cape Verde	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
Colombia	Colombia eased construction permitting by improving the electronic verification of prebuilding certificates.
Grenada	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
Hungary	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
Kazakhstan	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
Mexico	Mexico launched an online one-stop shop for initiating business registration. Mexico improved construction permitting by merging and streamlining procedures related to zoning and utilities. Mexico increased taxes on companies by raising several tax rates, including the corporate income tax and the rate on cash deposits. At the same time, the administrative burden was reduced slightly with more options for online payment and increased use of accounting software.
Peru	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
Rwanda	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.
Tajikistan	Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority. Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors. Tajikistan lowered its corporate income tax rate.

Vietnam

Vietnam eased company start-up by creating a one-stop shop that combines the processes for obtaining a business license and tax license and by eliminating the need for a seal for company licensing. Vietnam made dealing with construction permits easier by reducing the cost to register newly completed buildings by 50% and transferring the authority to register buildings from local authorities to the Department of National Resources and Environment. Vietnam improved its credit information system by allowing borrowers to examine their own credit report and correct errors.

Zambia

Zambia eased business start-up by eliminating the minimum capital requirement. Zambia eased trade by implementing a one-stop border post with Zimbabwe, launching web-based submission of customs declarations and introducing scanning machines at border posts. Zambia improved contract enforcement by introducing an electronic case management system in the courts that provides electronic referencing of cases, a database of laws, real-time court reporting and public access to court records.



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