



Outside Expert - Conflict Clearance

Technical Secretary & Council of Trustees

Próspera ZEDE
Roatan, Bay Islands, Republic of Honduras

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RE: Commercial Reasonableness, Property
Tax Suspension

26 December, 2019

Dear Secretary and Council:

I was asked to opine on the commercial reasonableness of indefinitely suspending the property tax within Próspera ZEDE. At issue is the purpose and mission of the ZEDE special economic zone system. Areas under ZEDE regimes are supposed to have almost total autonomy in setting local public policy as well as a customs environment with no tariffs or duties. This requires the establishment of an independent court system with jurisdiction over ZEDes.

Próspera ZEDE has existed for nearly two years, but the Honduran government has not approved its court system. The government has not directed Honduran national agencies to respect and cooperate with the authority of ZEDE regimes apart from the National Property Institute, and has not recognized the right of Próspera ZEDE to its free trade customs environment. Consequently, many of the governmental services that taxes within Próspera ZEDE would finance cannot be provided, creating an environment of commercial uncertainty.

Within Próspera ZEDE, three forms of taxation prevail: property tax, income tax, and value added tax. The property tax, it is hoped and planned, will be the only tax levied within the ZEDE at some point in the future.

The government of Próspera ZEDE would provide only services of benefit to everyone working and owning property within Próspera ZEDE. This principle is violated due to the Honduran government's delays. Thus, the value of the property in Próspera ZEDE is very likely lower than its original purchase price. Some are working, earning, and trading within Próspera ZEDE. Clearly, the current legal and administrative regimes allow for this. In some way, however small, there must be an indication that legal and administrative services will be financially supported. In addition, it is important that Próspera ZEDE maintain its authority over its area.

Full enforcement of the property tax would not finance services of benefit to property owners. Being forced to pay taxes for an abbreviated governance structure that does not benefit the taxpayer extracts resources without adding value. This explicitly runs counter to the philosophy and principles under which Próspera ZEDE has been established. Therefore, it is commercially reasonable, given the fundamental principles declared to be the basis on which Próspera ZEDE is founded, for property tax collections to be suspended. This opinion is given pursuant to the actual or apparent conflict of interest resolution procedure of the Próspera Charter or related conflict clearance obligations.

Sincerely,

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