



## COSTA RICA – 2009 BUSINESS ENVIRONMENT

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**Currency:** Costa Rican Colon (CRC)

**Foreign exchange control:** None; repatriation payments can be made in any currency. Both residents and nonresidents can hold bank accounts in any currency.

**Accounting principles/financial statements:** IAS/IFRS. Financial statements must be prepared annually, but there are no reporting requirements.

**Principal business entities:** The most common form of organisation for foreign investors is the stock corporation (sociedad anónima, or SA). Other forms, such as partnerships and limited partnerships, are available but infrequently used. The limited liability company (sociedad de responsabilidad limitada, or SRL) is subject to fewer controls than the SA and requires less financial disclosure, but the ownership limitations of the SRL are unpopular. Branches are rare.

### TAX ID NUMBER

The structure is as follows:

CJ: 3 -101 - 085076 Cedula Jurídica "CJ" also called RUC - Unique registry of taxpayers.

CJ: (number of tributary identification) It is a registry on which all contributor whom makes an economic activity or it

Natural and legal person: 10 numbers - indefinite duration. The registry consists of granting a number CJ (Number of Tributary Identification) perpetual to each contributor:

Example:

CJ: 3 -101 - 085076

3: indicates it is a company. (1 is for persons)

101: This number indicates who we are dealing with (SA = 101, SRL = 102, Financial institutions = 400, etc)

085076: (correlative number)

This is the id number before the Tributary Administration and the contributor is extinguished along with (nevertheless, the information of the data base is never eliminated).

It is Unique in all the country.

### Corporate taxation:

**Residence** – A corporation is resident if it is incorporated in or has a fixed place of business in Costa Rica.

**Basis** – Residents and nonresidents are taxed only on Costa Rican-source income. Residents are subject to profit tax, while nonresidents are subject to withholding tax.

Branches and permanent establishments are taxed in the same way as subsidiaries.

**Taxable income** – Income tax is imposed on net income (i.e. profits or economic benefits resulting from services provided, goods located or investments made in Costa Rica) of a company. Unrealised gains are not part of gross income (including capital gains in specific cases).

**Taxation of dividends** – Dividends received from domestic entities are exempt from corporate tax. A 15% withholding tax is levied on dividends paid to individual shareholders and 5% for dividends paid by stock corporations whose shares are registered on an officially recognized stock exchange.

**Capital gains** – Capital gains are exempt unless derived from the habitual activity of the seller (i.e. the normal trade of business) or the assets sold are tangible and can be depreciated. Such gains are taxed at 30%.

**Losses** – Industrial losses may be carried forward for 3 years (5 years for agricultural losses). Capital losses



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are deductible only if a gain on the disposal is taxable in the current year.

**Rate** – The rate is 10% for corporations earning less than USD 69,080; 20% for corporations earning more than USD 64,809 and less than USD 139,000; and 30% for companies earning more than USD 139,000. The rate is 30% for trading and non-trading companies.

**Surtax** – No

**Alternative minimum tax** – No

**Foreign tax credit** – No

**Participation exemption** – No, but there is an exemption from withholding tax on dividends that are not credited by the payee's country of residence.

**Holding company regime** – No

**Incentives** – Industrial, processing and service companies located in free zones are entitled to a 100% exemption from income tax in the first 8 years of operation and a 50% exemption in the next 4 years. Forest sustainability incentives and tourism incentives also are available.

### Withholding tax:

**Dividends** – A 15% withholding tax is levied on dividends paid to individual shareholders and 5% for dividends paid by stock corporations whose shares are registered on an officially recognised stock exchange.

**Interest** – The general withholding tax on interest is 15%, with a 0% rate applying to interest paid to “first rank” approved banks and financial institutions.

**Royalties** – Royalties are subject to a 25% withholding tax. An exemption is available for royalties that are

not credited by the payee's country of residence.

**Branch remittance tax** – Remittances from local branches to their nonresident parent companies are taxable in the same way as dividend distributions.

### Other taxes on corporations:

**Capital duty** – No, only stamp tax is levied on capital contributions.

**Payroll tax** – Employers act as withholding agents for employees, deducting 0% to 15% from the salary.

**Real property tax** – The municipal authorities levy a 0.25% tax annually on the value of real property.

**Social security** – Employers must contribute 26% of the gross salary paid to an employee.

**Stamp duty** – A culture and education stamp tax on the net capital of entities is payable annually (ranging from USD 1.50 to USD 18).

**Transfer tax** – No

**Other** – A special annual tax of USD 125,000 is levied on offshore banking operations.

### Anti-avoidance rules:

**Transfer pricing** – No, but the tax authorities assess transactions at fair market value on the basis of the substance-over-form principle.

**Thin capitalisation** – No

**Controlled foreign companies** – No

**Other** – A general substance-over-form provision applies.

**Disclosure requirements** – No



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### Administration and compliance:

**Tax year** – The tax year is the 12-month period from 1 October to 30 September, although the taxpayer may request a different period.

**Consolidated returns** – Consolidated returns are not permitted; each company must file a separate return.

**Filing requirements** – Costa Rica operates a self-assessment regime. Advance corporate tax is payable in quarterly instalments. The tax return must be filed and paid within 2 months and 15 days after the tax year end.

**Penalties** – Late filing is subject to a penalty of 1% of the total tax debt for each month, up to a maximum of 20%. The penalty for a tax deficiency is 25% of the amount due and 75% if fraud is involved.

**Rulings** – No

### Value added tax:

**Taxable transactions** – Sales tax is imposed on the sale of goods and the provision of certain services.

**Rates** – 13%

**Registration** – Registration is compulsory for businesses, but a simplified regime is available for small and medium-sized businesses.

**Filing and payment** – Sales tax is payable on a monthly basis at the time the tax return is filed.

**Source of tax law:** Income Tax Law, Sales Tax Law and Tax Norms and Procedures Code

**Tax treaties:** Costa Rica has an exchange of information agreement with the U.S.

**Tax authorities:** General Tax Agency and General Customs Agency

**International organisations:** CIAT, CAUCA

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For further information about this issue, please contact:  
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 CREDIT REPORT through the years:



1964



1994



DESDE 1964

2004



2007

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