



AUXADI

# COSTA RICA

COUNTRY FILE - 2022

# COSTA RICA

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**Costa Rica is the oldest and most stable democracy in Central America and has long supported the development of democracy and respect for human rights. The country is defined by its enlightened leadership, comparative prosperity, flexible class lines, educational opportunities (creating a stable middle class), and high social indicators. In May 2021, after many years of work, Costa Rica was confirmed as the 38th member of the OECD.**

The country maintains domestic police, security forces, and a coast guard, but has no military – so it has successfully avoided entanglement in regional political affairs.

Costa Rica's major economic resources are its fertile land and frequent rainfall, its well-educated population, and its location in the Central American isthmus, providing easy access to North and South American markets and direct ocean access to Europe and Asia. A quarter of Costa Rica is national forests, which often adjoin picturesque beaches, making the country a popular tourist destination.

One of Latin America's most favoured destinations for foreign investment. Costa Rican FDI inflows increased to US\$2.5 billion in 2019 and FDI stock values reached US\$41.8 billion. Investment in Special Economic Zones (SEZs) grew by 24 per cent to \$1.6 billion in 2019 – representing almost two-thirds of the inflows.

Investment in high-skill industries such as high-tech medical equipment has been considerable in recent

years, and Costa Rica's Special Economic Zones (SEZs) have increasingly specialised in the production of medical devices and protection gear. So much so, that the medical equipment industry is now Costa Rica's main exporter, contributing to the country's GDP of US\$61.8 billion (2019).

Costa Rica is also leading the way with its environmental policies. As well as actively choosing not to tap their significant oil reserves, *Green Park* is the first industrial park / SEZ in Latin America with Leadership in Energy and Environment Design (LEED) certification. It aims to provide investors with an infrastructure and process which comply with sustainable practices, and actively seeks to minimise the environmental impact of manufacturing operations in the zone.

Unlike many of their Central American neighbours, present-day Costa Ricans are largely of European rather than mestizo descent – Spain being the primary country of origin. Spanish remains the national language.

# Costa Rica: country overview


**74<sup>th</sup>**

Ranked on the World Bank's Ease of Doing Business Index 2020


**\$ 61.8 billion**

GDP (Q3 2021)


**79.26%**

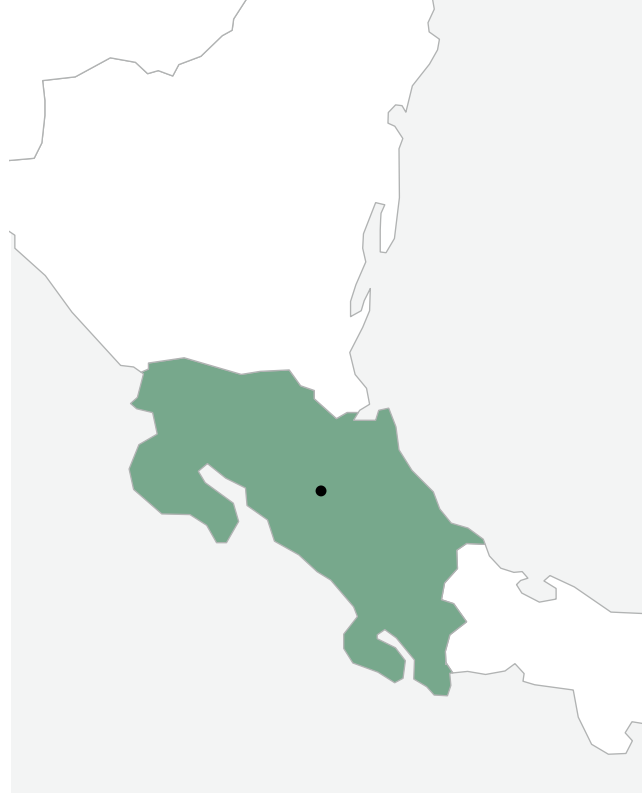
Public Debt (%GPD)


**5,182,354**

Population (2021)


**Costa Rican colón**

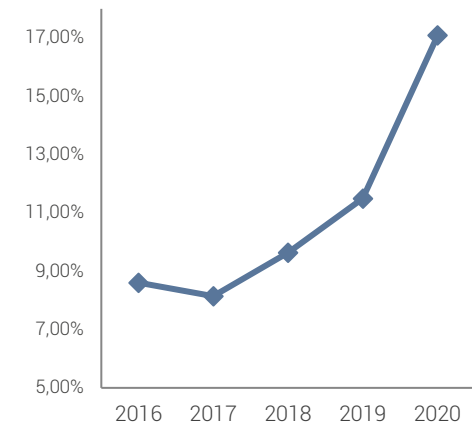
Currency


**15.6%**

Unemployment rate

## Unemployment Rate

Source: World Bank



## Main Economic Areas



Manufacturing



Wholesale



Finance / Insurance



Agriculture



Professional Services



Costa Rica ranks 74th in terms of ease of opening a business. The average estimated time to set up a company is 23 days, less than the regional average (31 days).

**23**  
days



The Labour Code can be difficult to navigate, but there are 3 main shifts for workers, and specific formulae for calculating vacation allowances and severance packages. Social Security payments require 26.5% of each employee's wage, paid by the employer.

**26,5%**  
Social Security  
payments



There are more than 100 taxes in force in Costa Rica, including a Value Added Tax of 13% and municipal taxes. The tax year runs from 1 January to 1 December.

**100**  
taxes



Costa Rica works in IFRS, but all documentation must be submitted in Spanish. Accounts and transactions must be retained for a ten-year period.

**IFRS**





# Legal Aspects

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## Types of Companies



The two most common commercial formations in Costa Rican legislation are the Sociedad Anónima (SA) and the Sociedad de Responsabilidad Limitada (SRL or Ltda.). Their main features are: Trusts

Requirements	Sociedad Anónima (SA)	Sociedad de Responsabilidad Limitada (SRL or Ltda.)
Term	In Costa Rica, commercial entities are not perpetual. The law requires a defined period for company operations, specified by number of years. The deadline can be extended or reduced at any time, and most companies register with a term of 100 years.	
Liability	Shareholders are only liable up to the amount of their capital contribution.	Shareholders are only liable up to the amount of their capital contribution.
Share Capital	The share capital must be a fixed amount that can be expressed in colones, the Costa Rican currency, or in another currency such as the U.S. dollar.	The ownership interest is represented by quotas, similar to the interests of the members.
Number of shareholders / quota holders	At least two shareholders must incorporate the SA but, once incorporated, the number can be reduced to a single shareholder. There is no limit to the number of shareholders an SA can have.	At least two quota holders must incorporate the SRL. Once the company is incorporated, only one quota holder is required. There is no limit to the number of quota holders.
Transferability of shares	In the absence of an agreement to the contrary, the shares may be freely transferred from the shareholders to third parties. No approval is required from the company or other shareholders. The assignment must be recorded in the company's Shareholders' Register Book.	Any transfer of shares must be approved unanimously in advance by the remaining shareholders (100% of the remaining shareholders, unless the articles of the association provide for a smaller majority, but not less than 75%). Quota holders have the right of first refusal to purchase available quotas. If the transfer is not approved, the company or shareholders must purchase the shares on the same terms and conditions, within a period of 15 days. If this period expires without the shares having been purchased, the selling shareholder is free to transfer the shares. The transfer must be made through a formal assignment.
Management	The SA is managed by a Board of Directors elected by the Shareholders. The Board of Directors must be composed of at least 3 members, a President, a Secretary and a Treasurer. By law, the President is the legal representative and is responsible for the company, with full powers.	Instead of a Board of Directors, the SRL is managed by at least one Manager, appointed by quota holders. Manager/s have the legal representation and powers of the company.
Comptroller	The Comptroller audits the Board of Directors in its functions and informs the shareholders about the general administration of the company. The Comptroller may not hold any other position on the Board or be a relative of any member of the Board.	An SRL does not require the appointment of a Comptroller.
Resident Agent	If none of the Board members have permanent residence in Costa Rica, the company must appoint a Resident Agent in order to receive administrative and judicial communications. The Resident Agent must be a practicing local attorney with registered business offices in the country.	If the company's management does not have permanent residence in Costa Rica, the company must appoint a Resident Agent to receive administrative and judicial communications. The Resident Agent must be a practicing local attorney with registered business offices in the country.
Tax Status	While Costa Rican tax laws do not distinguish between SA and SRL, in some jurisdictions (like the United States) an SRL can be treated as a transfer entity and taxed as a company. Opting for this treatment may benefit the foreign investor, as it gives the alternative of consolidating the results of the entity with its parent company or shareholders.	

## Trusts

Trust agreements are commonly used by Costa Rican business entities and individuals to manage their business and personal interests.

The structure of the trust is regulated in the Commercial Code of Costa Rica and has a minimum of three parts: the benefactor, the beneficiary and the trustee. In accordance with the trust's specific terms and conditions, the benefactor transfers ownership of certain assets or rights to the trustee for the benefit of the designated beneficiaries.

## Subsidiaries / Branches

Foreign companies can conduct business in Costa Rica through the branches of their parent company.

- There are four investment incentive programs in the country: the free trade zone system, an inward-processing regime, a duty drawback procedure, and the tourism development incentives regime

## Foreign Investment

Costa Rica is an outward-oriented country and is actively looking to strengthen its relations with its different partners. Alongside its immediate neighbours and the United States, the country continues to foster trade links with China, Europe and Asia. The country's development depends largely on its ability to attract foreign investment and its exports.

As the World Trade Organisation predicted world goods exports to close 2020 down some 9.2% thanks to the pandemic, Costa Rica closed with positive numbers. The export sector demonstrated its resilience by ending 2020 with a 1.9% growth in exports of goods, which reaches a historical record of US\$11.683 billion – US\$202 million more than 2019.

There are four investment incentive programs in the country: the free trade zone system, an inward-processing regime, a duty drawback procedure, and the tourism development incentives regime. While Costa Rica has no major new laws or judicial decisions regarding FDI,

authorities have updated the regulations for Free Trade Zones (or SEZs), where most FDI is invested.

Thanks to the Government's responsible environmental policy, the relatively new sector of eco-tourism has also been attracting increasing amounts of investment. Costa Rica's green credentials are further underlined by its involvement in negotiations of a plurilateral Agreement on Climate Change, Trade and Sustainability (ACCTS). In October 2021, UNCTAD reported that six 'first-mover' countries (Costa Rica, Fiji, Iceland, New Zealand, Norway, and Switzerland) will work at aligning trade and climate issues. While negotiations are ongoing pending a formal trade agreement, the negotiations themselves signal plans to consider trade and climate together, by reducing tariffs on environmental goods and services, eliminating fossil fuel subsidies, and more.

Costa Rica's tax incentives, political and economic stability, skilled labour force, location in the heart of the American continent, and its ports on both the Pacific and Caribbean make it an attractive destination for FDI, and have made the country a regional leader for international business.



### 103 investment projects in 2021 – up 30% from 2020

32 new companies established operations

- 19 from U.S. investment
- 13 from Canada, Switzerland, Spain, Israel, India, South Africa, Brazil, Chile
- 9 companies are investing outside the greater metropolitan area

71 companies reinvested – with 48 expansions and 23 diversifications



### Costa Rica topped the global Greenfield Performance Index in 2021

Attracting 11 times the amount of greenfield FDI 'that might be expected given the size of its economy'. Greenfield projects have grown at an average rate of 15% since 2016



### Companies attracted by CINDE set record employment levels for the 6th year in a row

- 22,461 new formal jobs in 2021 – 13.4% above 2020
- Net job gain of 19,725 – 34% above 2020
- 48% of net new jobs went to women – 21% above 2020



### Training for employability programs saw almost 9,000 people achieve technical certifications in: data analysis, software development, cybersecurity, and artificial intelligence



### Exports by Customs Value

Q3 2020 = 3,076 billion; Q3 2021 = 3.96 billion





# Labour Aspects

Why Auxadi?

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Costa Rica's Labour Code is the legal reference for most labour regulations. According to the Code, "... *there is an employer-employee relationship when there is an exchange of services for money and the employer exercises direction and control over the employee's duties...*"

There are 3 common shifts in Costa Rica:



Daytime: between 5:00 am and 7:00 pm and cannot exceed 8 hours per day / 48 hours per week.



Night: takes place between 7:00 pm and 5:00 am and cannot exceed 6 hours per day / 36 hours per week.



Mixed: takes place during the hours of the day shift and the hours of the night shift (e.g. 3:00 pm to 10:00 pm). It cannot exceed 7 hours per day and 42 hours per week. If the mixed shift is more than 3.5 hours during the night shift hours, it is legally considered a night shift.

If the nature of the work is not considered unhealthy or dangerous, the law allows for compressing the 6-day work week into 5 days. Under these terms, the employee would work more hours per day, but fewer days within a one-week period. However, it is not possible to compress the night shift into a 5-day work week.

The code also states that overtime is those hours worked beyond the basic work shifts or any shift established by an employment agreement, and there are specific formulae for constructing overtime and double-overtime payments. It is also important to note that basic shift hours plus overtime cannot exceed 12 hours per day.

Effective working time shall be considered the time in which employees are under supervision and subordination to the orders of the employer. Two rest periods of 10 to 15 minutes per working day are customary. If the working day is continuous and the lunch break does not exceed 30 minutes, it will be considered part of the working period and, as such, a paid break.

Employees in "positions of trust", such as general managers or outside salespeople, are excluded from shift limitations; however, they cannot work more than

12 hours a day and must have a paid break of 1.5 hours.

Employees are entitled to enjoy at least one scheduled day of rest per week or after six days of continuous work.

In addition, Costa Rica's labour laws require written employment agreements; however, the absence of a written contract does not significantly affect either party, nor diminish their rights and obligations. Employment agreements are private agreements reached between the employer and the employee and are important evidence in employment lawsuits.

## Wages / Salaries

Payment is per time period or workpiece unit. Wages are calculated on a monthly basis.

There is a thirteenth month payment, constituting a bonus.

Minimum wages are adjusted by the National Wages Council once a year, according to the inflation rate. The government can decide to adjust them twice, if necessary.

The minimum wage is based on skill level, which has the side benefit of encouraging the population into education.

Minimum wages for 2022 are:

		Per Day	USD
	Generic unskilled worker	₡ 324,560.01	516.23
	General semi-skilled worker	₡ 349,175.77	555.38
	Generic skilled worker	₡ 367,058.74	583.82
	General highly skilled	₡ 412,202.85	655.63
Technical worker	Diversified Education	₡ 384,651.40	611.81
	Superior Education	₡ 474,040.55	753.99
	Diploma of Higher Education	₡ 511,981.50	814.34
	Bachelors University	₡ 580,708.19	923.63
	University Graduate	₡ 696,873.72	1108.42

## Vacation

There are eleven official national holidays. The Company may also designate vacation at its discretion. If a worker works on a holiday or on his day off, the employer will have to pay him twice as long. The holidays with compulsory payment are: January 1, April 11, Thursday and Friday of Holy Week (Easter), May 1, July 25, August 2, August 15, September 15 and December 25.

The worker is entitled to a minimum of two weeks of paid leave for every 50 weeks of continuous employment with the Company. If an employee is laid off before accumulating 50 weeks of employment, they are entitled to one day of vacation for each month worked. If a worker has accrued vacation time and they resign or are fired, the Company must pay that employee the monetary equivalent of the accrued vacation time.

The employer has the ability to replace the legally required minimum vacation time with an alternative system that results in increased employee benefits. The employer can establish when employees can take their vacation time, but this must be done within fifteen weeks of the day on which the fifty weeks of continuous employment are reached.

## Probation / trial period

In each open-ended employment agreement, there will be a trial period of three months.

If, in those three months, the employer decides to terminate the employment, the only liability is payment of vacation time (one day per month worked) and the bonus proportional to the thirteenth month (bonus).

## Sick leave

The Company must pay sick leave to its employees during the first 3 days of leave at a rate of 50% of their normal wages. From the fourth day, the Costa Rican Social Security Fund pays sick leave at 60% of the normal wage.

If the illness or incapacity is due to an accident in the workplace, the National Insurance Institute covers 60% of the salary of the injured worker from the first day the employee is absent from work.

## Maternity leave

The employer must pay maternity leave at 50% of the normal salary for 4 months, while Social Security covers the remaining 50%.

## Termination and severance pay

In Costa Rica you must have cause to fire an employee. If you don't have cause, you may still fire the employee, but the action will trigger severance payments.

Grounds for termination are set forth in Article 81 of the Labour Code. The dismissal must be well substantiated since the employer carries the burden of proving that the termination was for cause, should the employee file a complaint against the employer with the Labour Court.

If you terminate an employee without cause, the company must pay severance pay, vacation pay and thirteenth month bonus (bonus) and give notice prior

to termination. This process is called *Prestaciones Laborales*, and you must adhere to the following steps:

(i) Pre-Termination Notice (*Pre-Aviso*): Before you can fire your employee, you have two options. You can provide them with legal notice of the termination and they can work out a notice period, or you can pay them for the notice period so that they leave employment immediately. Either way, the payment must be based upon the total average wage earned during the preceding 6 months (or fraction thereof, if they have not worked for six months). The amount of notice required depends on the length of time which the employee has worked for the company.

Notice periods depend on length of employment. If your employee has worked for you:

- More than 3 months but less than 6 months = 1 week notice.
- More than 6 months but less than 1 year = 2 weeks' notice.
- More than 1 year = 1 month notice.

(Employees who decide to resign must also give advance notice for the same time periods.)

During the notice period, the employee is entitled to one paid day off per week to look for a new job.

If the dismissal of an employee is due to one of the justified causes listed in the Labour Code, then the employer will only be responsible for the payment of the proportional vacation time and the bonus of the thirteenth month (bonus). In this case, the dismissal and its cause must be properly documented in case the employee files a complaint.



All disciplinary action (written warnings, suspensions, termination) must be taken within 30 days of the misconduct.

Employers are obliged to pay severance pay when employment is terminated for reasons not attributable to the employee. The exact amount will vary depending on the employee's seniority, however the pay out is approximately 20 paydays per year worked, up to a maximum of 8 years.

## Mandatory bonus for the "thirteenth month"

Costa Rican law establishes that all employees will receive, during the first days of December, the equivalent of a month's salary as a bonus of the thirteenth month.

This benefit is calculated based on the average salary earned by the employee during the twelve months prior to December 1.

The employer must provide for this payment by reserving an additional 8.33% of the employee's monthly salary for each pay period.

## Foreign workers / managers

For foreigners looking to invest, Costa Rica offers two residency visa options: *Inversionista* (investor) residency and *Representante* (representative) residency. *Inversionistas* are legally allowed to own a Costa Rican business, collect income from that business, and work in that business. *Representante* is reserved for company directors, and grants executives the right to work in a Costa Rican company.

## Social Charges

Costa Rica has a comprehensive social security system that is mandatory for all legally established employers and employees. The public institution *Caja Costarricense del Seguro Social* (CCSS, or colloquially the Caja) administers the social security system together with the Ministry of Health.

The system covers disability, illness, old age, death, maternity, pension, etc. and payments are compulsory.

Payment under/to:	Employer	Worker
<b>Costa Rican Social Security Fund</b>		
SEM (Sickness-Maternity Insurance)	9.25%	5.50%
IVM (Invalidity, Old Age and Death)	5.25%	4.00%
<b>Other Institutions</b>		
Banco Popular Employers' Fee	0.25%	-
Family Allowances	5.00%	-
Imas	0.50%	-
Ina	1.50%	-
<b>Worker Protection Act (LPT)</b>		
Contribution Patrono Banco Popular	0.25%	-
Labor Capitalisation Fund	1.50%	-
Supplementary Pension Fund	2.00%	-
Contribution Worker Banco Popular	-	1.00%
Ins	1.00%	-
TOTAL LPT	4.75%	1.00%
<b>TOTAL PERCENTAGES</b>	<b>26.50%</b>	<b>10.50%</b>

# Tax Aspects

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The Costa Rican tax system is based on the Principle of Territoriality according to which only income derived from Costa Rican territory and Costa Rican sources is subject to income tax. There are over 100 different taxes in the country, but the administration required is low at just 151 hours per annum.

The Income Tax Law (hereinafter, "LISR") states that any income derived from "services rendered, goods located or capital used in the national territory and obtained during the tax period..." is taxed. Based on this principle, any income obtained from foreign sources should not be considered as part of gross income.

Therefore, for income tax purposes, income earned from foreign sources should not be included in gross income.

According to the Regulations of the Income Tax Law, a resident for tax purposes is any legal entity incorporated in Costa Rica and carrying out commercial activities, including any branch or other permanent establishment of a non-domiciled legal entity.



## Main taxes

A general income tax rate applies to businesses at 30% if they achieve an annual gross income of ₡106,000 colónes (US\$172,122). However, this rate is lower if the annual gross income is lower, as follows:



While the amount of annual gross income determines the applicable tax rate, that rate applies to the amount of net income, which is obtained after deducting all applicable costs and expenses.

Costa Rica has a comprehensive social security system that is mandatory for all legally established employers and employees, administered by the CCSS and the Ministry of Health.

The employer and employee, regardless of their residence, are subject to mandatory contributions as a percentage of all monthly wages, at 10.5% of the salary as the monthly contribution payable by the employee, and 26.5% of the employer's monthly contribution. (See Labour Aspects).

## Taxable profit / deductible expenses

Companies can deduct all costs and expenses necessary to generate taxable income from their gross income. Expenses incurred to earn exempt income are not deductible.

Certain expenses incurred abroad are permitted as deductions, such as commissions, fees, and compensation for personal services paid to directors, advisers, and other representatives acting abroad, as permitted by Section 8(j) of the Income Tax Act.

Expenses for technical or financial advice paid to persons and/or companies not domiciled are also allowed as deductions, provided that the corresponding tax has been withheld if the services are performed within the national territory of Costa Rica.

The Tax Administration is empowered to deny a deduction of expenses if any of the following criteria are applied:

- It is not considered necessary to generate taxable income.
- Excessive or unreasonable.
- Belong to a different fiscal year.
- Not supported by the corresponding documentation.
- Not posted to accounting records.
- Adequate income tax not withheld at source (if applicable).

In summary, the Costa Rican company can deduct from its gross income all useful, necessary and relevant expenses used to generate income, such as the payment of salaries, professional services, rental of offices and supplies.

## Tax filings

Taxpayers must file corporate income tax returns and pay the corresponding taxes due within two months and fifteen days after the end of the tax year.

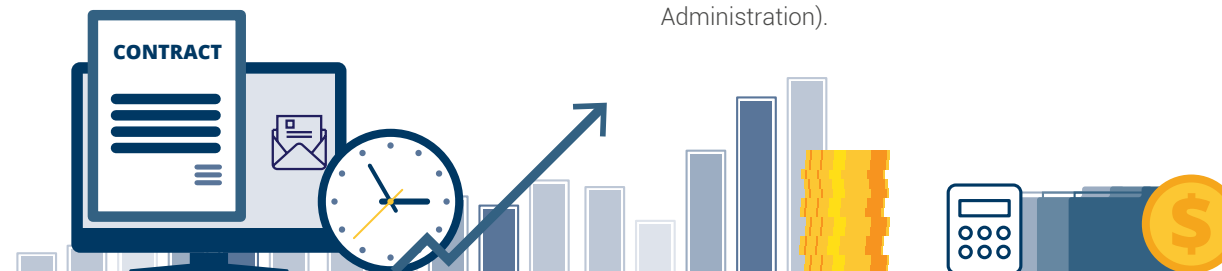
Taxes must be estimated annually, based on 75% of the average tax paid in the previous three years or the tax liability of the previous year, whichever is greater. These estimated tax payments must be paid quarterly.

## World income

World income is recognised, which means that the income derived in Costa Rica subject to withholding tax is part of the taxpayer's gross income, and the withholding tax is considered as an advance payment of income tax.

## Dividends

Dividends paid between resident entities are not subject to tax, as long as the holding company has an economic activity. However, a withholding tax of 15% is applied in the case of natural persons (domiciled or not) or foreign entities.



## Capital gains

Capital gains from assets that are not part of the company's economic activity are taxable in Costa Rica with a tax of 15%. However, for goods and rights obtained before 1 July 2019, the taxpayer may choose to apply the 2.25% withholding tax on the sale price on their first sale.

Individuals and legal entities (both) not domiciled, if owners of real estate in Costa Rica, are subject to a withholding tax of 2.5% on the sale of the property.

Payments to non-residents / foreign workers

Persons not domiciled in Costa Rica who earn income from Costa Rica derived from the provision of professional services of any kind are subject to a withholding tax rate of 25%.

The entity that pays the income must withhold the corresponding tax and transmit it to the Tax Administration.

Once these persons live continuously in Costa Rica for more than six months, they will be considered domiciled and therefore will be subject to wage tax (if there is an employment relationship) or ordinary income tax (for those people who are considered and registered as independent professionals with the Tax Administration).



## Double Taxation Treaties

Costa Rica has only a few tax treaties, covering Spain, Germany and Mexico.

NOTE: The treaty with Mexico defines the terms and conditions where income is to be taxed. In Costa Rica, the treaty applies to income tax. In Mexico, it applies the federal income tax system and addresses the tax treatment of benefits, capital gains, dividends, interest, royalties and salaries.

Treaties have been signed with Romania (2016) and the United Arab Emirates (2017), though these have not yet entered into force. Negotiations for double taxation agreements are planned or under way with Canada, Israel, Latvia, the Netherlands, South Korea, Switzerland, and the United Kingdom.

Costa Rica has also signed an exchange of information treaty with the United States with a view to promoting

the necessary interchange of tax information and to ensure that the correct level of taxation is levied in both countries as well as to eradicate tax evasion.

## Transfer Pricing

Transfer pricing rules are based on the OECD Transfer Pricing Guidelines for multinational companies and tax administrations. Taxpayers subject to transfer pricing rules must maintain documentation to support the price of transactions with related parties.

Taxpayers who carry out national or cross-border transactions with related parties, or those defined as Large Taxpayers, Large Territorial Companies, or A Company Subject to the Free Zone Regime, must submit an annual transfer pricing information return.

Companies doing business in Costa Rica must review and safeguard all existing transactions between

companies and other transactions that may fall under the regulations to determine if they are within the scope of the rules and comply with the principle of competition. Any internal company transactions that may be anticipated in the future for which transfer pricing support will be required should be evaluated.

All companies must document the transfer price required to support their transactions with related parties.

Advance pricing agreements (APA) are available, under which tax authorities must agree on the price of transactions with related parties in advance. An APA is valid for a period of three years.

The regulations establish a general framework for the required supporting documentation, which must be prepared in Spanish; however, such documentation will only be necessary if there is a formal request from the tax authorities.

## Withholding tax on remittances

A withholding tax on remittances is levied on all income from Costa Rica that is paid, credited or made available to persons and entities domiciled abroad. According to Article 59 of the LISR, a foreign remittance of any income from Costa Rica is subject to a local withholding tax that varies from 0% to 50%, depending on the nature and concept of the payment.

Examples of withholding taxes and applicable fees are:

Income from	Tax
Transport and communications	8.5%
Wages, pensions in industrial relations	10%
Fees, commissions, professional services or any other payment under a non-employment relationship	25%
Insurance premiums, reinsurance and related payments	5.5%
Movies, TV shows, soundtracks and related payments	20%
Telenovelas and similar payments	50%
Dividends	15%
Dividends on shares registered and purchased through a local stock market	5%
Interest and other financial expenses	15%
Financial/technical advice, royalties, trademarks, franchises, formulas and similar payments	25%
Any other remittance of income from Costa Rica not above	30%

The taxpayer is the company or person domiciled abroad that receives the payments. Therefore, the amount withheld is not deductible for the withholding agent.

## Municipal tax

Any business that engages in a lucrative activity must apply for a municipal license permit to operate at the municipal level. Each municipality evaluates and collects a municipal tax ranging from 0.1% to 0.35% on the gross income of the company (municipal or patent tax), although some municipalities calculate this tax by combining it with another type of fee on the net income of the company.

Costa Rica is divided into 81 municipalities, each with its own municipal license tax, although all of them have a similar rate.

Therefore, it is important to establish each location in which taxable events occur in order to allocate the revenues generated by the entity to the correct municipalities – taking into account that most Municipal Laws do not regulate the process by which such allocation is made if two or more municipalities are involved. For this reason, the Constitutional Court has ruled that such an allocation will be determined by the place where the billing process takes place, even if the person invoiced resides in a different municipality.



## Tax on the transfer of property other than immovable property

Transfer tax occurs when real estate is transferred, including indirect transfers, such as the sale of shares. The valuation value base for calculating the tax is the highest between the level declared or declared in the public records, or the value declared by the parties in the closing deed.

The tax rate is 1.5% of the tax base.

The Public Registry will not register a transfer deed unless the transfer taxes have been paid and the documentary stamps are obtained. The Tax Office can change this amount when the price is changed for tax reasons.

In the case of vehicles, a transfer tax of 2.5% is imposed.

## Real estate tax

The transfer of land, buildings and other permanent structures is managed, evaluated and determined by the municipality where the asset is located.

## Tax on legal entities

The tax on legal entities is paid annually and applies to all entities registered with the Corporate Section of the Public Registry. The applicable tax rate depends on the gross income of each entity and the tax on the legal entity varies, from around \$100 to \$400.





# Accounting Aspects

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Any company incorporated in Costa Rica and registered with the *Administración Tributaria*, in accordance with the Income Tax Law as well as the Code of Tax Rules and Procedures, has the obligation to keep accounting and financial records with a ten-year history. Though there is no obligation to file the accounting records with annual returns, they will be requested if you are audited.

These records must comply with the principles and records of information established in the regulatory standards, or failing that, in accordance with the International Financial Reporting Standards (IFRS), adopted by the Association of Public Accountants of Costa Rica. The foregoing shall apply, provided that the rules do not imply a direct contradiction to the tax laws. If there is a conflict between them (for tax purposes), the provisions of the tax rules shall prevail.



- Any company incorporated in Costa Rica and registered with the *Administración Tributaria*, in accordance with the Income Tax Law as well as the Code of Tax Rules and Procedures, has the obligation to keep accounting and financial records with a ten-year history

# Why Auxadi?





# AUXADI

## International Accounting, Tax, Payroll and SPV set up and administration

For multinational corporations, private equity  
and real estate funds in 50 countries



### International Corporates

We can help you with your international expansion and we service clients across many different sectors. We become an extension of your finance departments abroad. Access the accounting information of all your international subsidiaries through a single portal, customized to meet your needs.



### Private Equity & Real Estate Funds

We can take of the corporate management and SPV administration of your investment structures. Whether you're creating a holding structure in Luxembourg or setting up an SPV in Europe or Latin America, we can help make your life easier. We offer accounting, reporting, tax compliance and directorship solutions.



# AUXADI

## Local knowledge, international coverage



**4.5/5** Client Satisfaction  
(the avg. for financial  
services being 1.7/5)

**22** Fully operating  
subsidiaries

**+50** Countries  
currently served

**+1,700** Clients



Accounting



Tax compliance



Payroll



Cash management



Consolidation and  
reporting



Domiciliation/  
registered office



Directorships



SPV set up and admin



Transfer pricing



We **enable international  
expansion and investment**  
across more than **50 countries**



We're experts at **unravelling  
complexities**, making the **complex  
simple across all sectors**



We're **technology-driven**, utilising  
our best-in-class **cloud-based  
technology platform** to ensure  
flexible and efficient solutions



We adopt a **single-point-of-  
contact** service model, **putting  
you at the heart** of our business



We're a leading provider of **accounting,  
tax, payroll and SPV set up and  
administration services** to some  
of the world's largest multinational  
corporations and fund managers



# AUXADI

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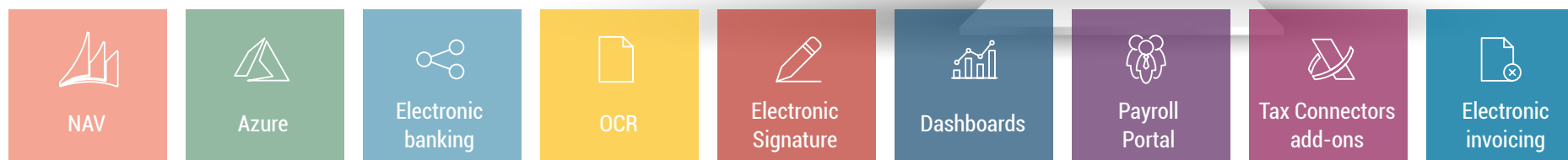


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same methodology  
in all jurisdictions under  
the same online platform

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Auxadi can become the ideal partner for your investment in Costa Rica. From our offices located in San José, we offer value-added outsourcing solutions in the areas of accounting, reporting, tax compliance, payroll management and representation services, among others. Count on our professionals and our extensive experience in the Costa Rica market for your investments in Costa Rica and other countries in Latin America and Europe.

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