

Costa Rica

Free Trade Zone Regime,
requirements, benefits
and opportunities





Costa Rica's Free Zones Regime (ZF) is one of the greatest attractions offered for foreign investors and a prop for internal wealth creation. According to PROCOMER, in 2019 there were 394 companies located in the Free Trade Zone, providing 187,170 jobs. PROCOMER reported the absolute contribution of the ZF represented 8.4% of GDP.

The Free Zone Regime is regulated by Law No. 7210 and includes a series of incentives and benefits for companies seeking to make new investments and undertake operations in Costa Rica. Free Zones are the specific locations where companies benefiting from this regime are established.

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Companies that can apply for ZF status

The types of company that can be established in the ZF, according to article 17 of the Free Zones Law, are:

-  **Marketers:** those that “don’t produce, simply manipulate, repack and redistribute non-traditional products for export.” These companies cannot sell in the local market.
-  **Services in strategic sector:** which meet requirements of the Strategic Eligibility Index for Service Companies (IEES).
-  **Manufacturers in strategic sector:** those that transform raw material into processed or semi-processed products. The export level isn’t a requirement to enter, as long as they belong to a strategic sector or settle outside the greater expanded metropolitan area (or GAM). This category also applies to manufacturing companies that provide other companies in Free Zones with at least 40% of materials.
-  **Park Managers.**

There are certain activities that cannot be carried out within the ZF, such as: mining or hydrocarbon extraction, production or marketing of weapons and ammunition that have depleted uranium, weapons in general, or banking, financial and insurance entities, among others.

Minimum requirements

*Exceptional and only when the characteristics of the project require the company to establish itself outside an industrial park.

Note: For megaprojects (those whose minimum initial investment in fixed assets subject to depreciation is \$10,000,000.00) have a maximum term of 8 years regardless of their location.

Companies that want to benefit from the ZF regime must make a minimum initial investment, within a maximum period of three years from the submission of the application.

	Inside an Industrial Park	Outside an Industrial Park*
Within the GAM	US\$150,000	US\$2,000,000
Outside the GAM	US\$100,000	US\$500,000





Tax reductions or exemptions from which they can benefit

- Tariffs on exports and imports.
- Tax on the withholding of royalties, fees, and dividends.
- Value added tax on the local purchase of goods and/or services.
- Property transfer tax (term of 10 years).
- Municipal patent tax (term of 10 years).
- Income tax (initial period):
 - Companies located within the GAM
 - 100% exemption for a period of eight years for service, export trade and processing companies under the category of megaproject
 - Fee of 6% of Income Tax for eight years for processing companies that don't qualify as a megaproject.
 - Companies located outside the GAM
 - For service companies, export trade companies and processors under the category of megaproject: 100% exemption for 12 years;
 - For processing companies that don't qualify as a megaproject: Rate of 0% Income Tax for the first six years, 5% for the next six years and 15% for a final six years.



Other incentives

Being attached to the Free Trade Zone regime provides other advantages and benefits, such as the free import of goods necessary for the operation and administration of the company's authorized activity, or exemptions in the import of vehicles such as trucks, or chassis for trucks, among others.

Manufacturers will be able to apply for tax credits as long as they are reinvesting profits in fixed assets or training – and beneficiaries of the regime will be able to access training programs for their employees and applicants.

Obligations

Some of the obligations that must be fulfilled by the beneficiary companies of this program:

- Keep and record, in specific books and records, the operations of the company related to goods that enjoy tax exemptions authorized by the Ministry of Finance.
- Establish accounting and operational systems that allow permanent control of the entry, permanence and exit of goods, either separate or in consignment.
- Submit an annual operations report to PROCOMER, which must be received within four months of the fiscal year end of the company.
- The beneficiary companies must pay a monthly fee (a minimum of US\$200) to PROCOMER for use of the regime. The calculation of the fee varies depending on the type of company, the total amount of income or the square meter size of its industrial roof.
- Permanently render and maintain a security deposit with PROCOMER (minimum US\$5,000 or three months the amount of the monthly fee paid to PROCOMER).

In addition and among others requirements, as part of the obligations of the Free Zone regime, the beneficiary companies must submit an annual report through the SIAN system on the fulfillment of the commitments acquired.



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