



DOING BUSINESS IN COSTA RICA



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DOING BUSINESS IN COSTA RICA

1 BRIEF INTRODUCTION TO COSTA RICA

Essential Costa Rican Facts

- In 1949, Costa Rica was the first country in the world to abolish the army as a permanent institution constitutionally.
- In 2021, Costa Rica celebrated 200 years of independence and the beginning of coffee exportation.
- Costa Rica's peaceful tradition, political stability, protection of natural resources, technological investment, and international trade agreements have improved both internal growth and international interest.
- International economic standards and internal legal regulations facilitate individual and corporate growth.
- Costa Rica is the home and business location for different cultures and nationalities. Foreign access to corporate and financial participation or real estate investment has attracted international companies, retirees, and investors.
- Traditionally, local agriculture has taken a taste of its rich land worldwide. Currently, international companies export top-quality agricultural products to the world.
- Costa Rica's workforce is a priority asset for investors. High-quality professionals with English proficiency have contributed to over 300 international companies' local success.

Here is a basic chart that gives a perspective about Costa Rica:

Official name:	Republic of Costa Rica	Location:	Central America
Borders:	Nicaragua (North) Panama (south- Southeast)	Area:	-Land: 51,100 km ² -Territorial waters: 589,000km ²
Official language:	Spanish yet English is usual in industries and services driven by tourism and foreign investment	Estimated population:	5 111 238 people
Total coastline:	1.290 kilometers (802mi)	Protected territory:	More than 25% of its territory is within national parks.
Official religion	Catholic. 94% of population but other creeds are practiced and respected	Ethnic Composition:	Mestizos 94% (Amerindians/European) Black African: 3% Indigenous: 1,7 % Chinese: 1%
Main production areas:	Technology development and manufacture Agriculture		



	Industrial manufacture Shared services hub		
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Costa Rica's Administrative Division

Costa Rica is divided into seven provinces, and amongst them, San José, part of Alajuela, Cartago, and Heredia are known as the Great Metropolitan Area (GAM), where most of the population and workforce are located:

Province	Economic activities
San José (capital)	<ul style="list-style-type: none">• Political /Economic center• Technological, commercial and residential hub
Alajuela Cartago Heredia	<ul style="list-style-type: none">• Industrial manufacturing• Free Trade Zone Parks location• Shared services/ international companies location• Agriculture
Guanacaste Puntarenas Limón	Coast bordering provinces <ul style="list-style-type: none">• Tourism• Real Estate• Agriculture

Costa Rica's History

A priority on education and respect for the legal structure and social harmony has established this country as a democratic, legally regulated, and inclusive society that strives for continuous development.

Currently, the leading companies from Costa Rica produce:

- Electronic and medical components
- Software development
- Scientific investigation
- Shared services
- Other rapidly expanding industries that along with tourism and agriculture, serve as the main activities driving the economy of the country.

Costa Rica's Government and Legal System

General

Costa Rica is a democratic republic with three distinct and separate powers: Legislative, Executive, and Judicial.

Legislative Authority

The Costa Rican legislative authority is exercised by a unicameral assembly or congress known as the Legislative Assembly. This Assembly comprises 57 popularly and directly elected members representing the parties that proposed



them as candidates. The Legislative Assembly votes on bills proposed by its members and those proposed by the Executive Authority.

Executive Authority

The Executive branch is exercised by the President of Costa Rica, two Vice Presidents, and a body of Ministers, which compose the Government Council. The President is the ultimate authority of the Executive Branch and head of Government; he represents the country in all official matters. The President and his Vice Presidents are popularly and directly elected every four years in a democratic contest on the first Sunday of February.

Judicial Functions

The Judicial Authority is divided by geographical jurisdiction and competency. The head of the Judicial Branch is the Costa Rican Supreme Court of Justice, formed by four separate Courts of Justice, the final courts of appeal for judicial decisions. The topics over which they have jurisdiction are the following:

First Court	Civil Law, Commercial Law, Contract Law
Second Court	Family Law, Labor Law, Agrarian Law
Third Court	Criminal Law
Constitutional Law	Resolves major issues that relate to constitutional rights and obligations.

Legal System

Unlike that of Common Law countries, the Costa Rican legal system is based on the principles of Roman or Civil Law, which establishes principles and laws in different written Codes for specific areas of the legal system. Examples are the Costa Rican Civil Code and the Costa Rican Commercial Code. This is a system generally used in France and in most of Latin America. Costa Rica has Case Law or Jurisprudence; nonetheless, the only Judicial Branch which creates Case Law that is binding under the Law is the Constitutional Court.

2 BRINGING YOUR BUSINESS TO COSTA RICA

General

In this section, we will share information on Costa Rican trade, investment, and immigration policy. During the last two decades, Costa Rica has negotiated Free Trade Agreements with the United States, Canada, Mexico, Panama, other Central American countries, the Dominican Republic, Chile, Peru, China, and the European Union¹.

Costa Rica's Relationship with the United States of America

The United States of America has long been Costa Rica's most important trade partner. Consistently, 85% of foreign investment comes from the United States of America. Throughout the years, due to its political stability, Costa Rica, has been able to maintain strong economic and political ties with the United States of America. Some of the biggest and most successful companies in the United States of America have branch offices in Costa Rica, including Intel, Hewlett Packard, Procter & Gamble, Kraft, Phillip Morris, Chiquita Brands, Dole Pineapple, Amazon, Sykes, Nacs Inc, (automation solutions

¹ PROCOMER, Costa Rica, <https://www.procomer.com/comprador-internacional/regiones/>



to industrial companies), Nevro Corp (global medical device company that provides innovative, information-driven solutions for chronic pain management), and many others².

Free Trade Agreements

General

In the mid-1980s, Costa Rica began executing foreign commercial policies to promote investment and increase economic development.

The most relevant free trade agreements with other countries and international organizations are:

Costa Rica's adherence to the World Trade Organization (WTO)

During the 1994 Uruguay Round of Negotiations, Costa Rica became a signatory to the agreement that created the WTO. During the course of the agreement, developing countries like Costa Rica have been able to submit diverse controversies arising from its trade relationship with other developed countries to the WTO, for resolution. This has proven to be an effective mechanism in aiding developing countries in having a more equal relationship with some of its larger, more powerful trading partners.³

Costa Rica's Free Trade and Tariff Agreement with Central America

Costa Rica is the largest supplier of manufactured goods to Central America. In 2019 Costa Rica exported close to a billion dollars to its Central American neighbors in different goods and services.

Costa Rica's Trade Agreements with Panama

The current agreement with Panama was signed in 2008⁴ and by 2019 Costa Rica exported over six hundred million dollars to Panama. With this agreement, most of Costa Rica's industrial products may circulate freely in Panama without any trade or tariff restriction and also some agricultural products benefited.^{2.3.5} Costa Rica's Free Trade Agreement with Mexico

Costa Rica's Trade Agreements with Mexico

The Costa Rica-Mexico Free Trade Agreement became effective on January 1st, 1995. Throughout the last 25 years and with the approval of other international trade policies, Costa Rica has been the biggest and most dynamic exporter of goods and services to Mexico in Central America. In 2019 Costa Rica exported to Mexico two hundred and twenty-eight million dollars. In 2019, Mexico - Costa Rican trade represented 14.3% of the Central American total⁵.

Costa Rica's Free Trade Agreement with Canada

² CINDE, Costa Rica, <https://www.cinde.org/es/noticias/multinacionales-aportan-mayor%C3%ADa-de-empleos-en-costa-rica-durante-la-pandemia>

³https://www.wto.org/english/tratop_e/tpr_e/tp007_e.htm

⁴ PROCOMER, Costa Rica, <https://www.procomer.com/comprador-internacional/regiones/>

⁵Embassy of Mexico in Costa Rica, Secretary of Economic Affairs



Since this agreement was signed on April 23rd, 2001, the commercial exchange with this country has grown. From US\$ 189 million in 2010, it experienced an average annual growth rate of 3.8%, increasing to US\$ 266 million in 2019. The trade balance with Canada has favored Costa Rica whose exportation exceeds the imported products. traditionally

Costa Rica's Free Trade Agreement with the United States of America (CAFTA)

General

CAFTA came into force on January 1st, 2009, and (as the North American Free Trade Agreement -NAFTA), this pact joined the Central American region and the Dominican Republic into a single trading bloc with the United States of America. CAFTA implemented important changes like:

- Market access to Telecommunications and Insurance.
- Equal Treatment and Access of Goods to the Markets.
- CAFTA establishes rules that regulate the trading of goods between parties, and for imported goods, there must be non-discriminatory treatment in regard to the import origin.
- Customs Administration and Facilitation of Commerce.

CAFTA parties have agreed to facilitate trade by modernizing Central America's customs and tariff system. In July and November 2019, meetings took place to ensure the proper implementation and administration of the disciplines contained in CAFTA-DR. As a result of these meetings, joint work plans were agreed to allow progress on issues of interest to the countries⁶.

Government Procurement

When carrying out transactions for government procurement, the signatories must guarantee non-discriminatory treatment, openness, transparency, and due process. All suppliers, regardless of their international origins, must receive the same treatment and equal opportunities as those granted to national suppliers.

Investment

All foreign investments made by citizens of a signatory nation must be given the same opportunities as a national participant. Also, an arbitration procedure has been instituted in the agreement whereby an investor from a signatory country may have access to conflict resolutions arising from applying this resource.

Excluded Services

The agreement establishes a framework of principles and regulations to regulate the provision of services by individual and corporate citizens of a signatory country. However, services such as air transportation, financial services, government procurement, subsidies, or donations given by the State are not included in these regulations.

Financial Services

⁶ COMEX, Costa Rica, <http://www.comex.go.cr/tratados/cafta-dr/>



CAFTA imposed significant changes on the insurance sector and ended the insurance monopoly of the National Insurance Institute or “INS”, where previously Costa Rican citizens could only obtain insurance services from this institute. With CAFTA, insurance companies from signatory countries may offer their products, open subsidiaries/branches to offer conditions and coverage that wasn’t previously available. In 2008, the Regulatory Law of Insurance market was issued formally ending the National Insurance Institute (INS) state monopoly.

Telecommunications

Costa Rica has assumed different obligations in Telecommunications compared to the other Central American signatories. Currently, Costa Rica owns and operates the Costa Rican Institute of Electricity (ICE), which is wholly owned by the government and has a monopoly for providing such services, like internet service, traditional phone services provided through landlines, mobile (cellular) phone services and electricity. Consequently, the opening of this market has been agreed to be gradual, selective and in accordance with the Costa Rican Constitution. Currently, competition is allowed in internet and private network services and mobile phone services.

Intellectual Property Rights

The agreement establishes a series of rules and protection standards for intellectual property rights, in accordance with new technological advances. Costa Rica became the 101st Contracting State at the World Intellectual Property Organization on August 3, 1999⁷.

Conflict Resolution

The agreement establishes alternative conflict resolution mechanisms to resolve conflicts arising from commercial transactions between the parties or conflicts can be resolved in the World Trade Organization. Judgments by specially appointed independent experts are based on interpretations of the agreements and individual countries’ commitments.⁸

Immigration Process

General

The Costa Rican “General Law on Immigration” indicates the types of immigration status that an applicant can request depending on their interests: tourism, work, permanent or temporary domicile in Costa Rica, as an investor, or retiree. The person with an immigration request filed and submitted before the Immigration Directorate can stay in the country after their tourist term (sealed in their passport on entry day) has expired.

Some categories require:

- Local Social Security registration and contribution
- Fingerprint registration before the Security Ministry

⁷ The World Intellectual Property Organization (WIPO), https://www.wipo.int/pressroom/en/prdocs/1999/wipo_upd_1999_57.html

⁸ https://www.wto.org/english/thewto_e/whatis_e/what_we_do_e.htm



- Registration before the applicant's local consulate
- Original signed documents before Immigration Directorate
- Permanence in the country before or after the resolution is obtained

Depending on the applicant's nationality and the immigration status requested, each case has specific filing requirements. However, usual requirements to submit may be, the following documents:

- Birth certificate
- Criminal records report
- Marriage certificate
- Passport copies
- Valid visa according to nationality

These documents must be i- issued by the applicant's official government institution, ii- legalized or apostilled (if applicable)^[1], iii) translated, and iii- issued within a limited validity term to be presented before the Costa Rican Immigration Directorate. Some services and information for your nationality may also be requested at the Costa Rican consulates worldwide.^[2]

Tourist Visa

Tourists from several countries, including the United States of America and Canada, are granted a temporary entry visa into Costa Rica for up to one-hundred and eighty days (180). Since this is a tourist visa, the visitor may not legally work in Costa Rica. The period during which the person is visiting Costa Rica as a Tourist may be used to carry out procedures necessary to obtain other migratory status. Once a request is filed before the Immigration Directorate, the tourism permanence term is suspended. Foreign driving license's are also valid for the term of the tourism visa.

Permanent Residencies

These migratory statuses are granted indefinitely, but the local ID that is granted does need renewal. Foreigners who meet the following two conditions will be able to apply for a permanent Costa Rican residency: i- those who have had a temporary residency for a period of three years; and, ii- those with a first degree blood relationship with a Costa Rican citizen, which is restricted to the following: parents, children, siblings and/or spouse. Permanent residents will be able to engage in all lucrative activities permitted by law to Costa Rican citizens.

Temporary Residencies

This kind of residency is granted as authorization to the applicant to remain in the country legally for a period that may vary from ninety days to two years. The following categories determine the kind of application to be filed for each specific case:



- Spouse of a Costa Rican citizen. This temporary residency is approved as non restricted, this means that the person will be allowed to work in the country, legally for any Costa Rican company.
- Leaders of religious organizations recognized as such by the Ministry of Foreign Affairs.
- Executives, representatives, managers and technical personnel of companies established in Costa Rica dedicated to areas defined as priority, in accordance with immigration and investment policies. This includes spouses and children of these applicants.
- Investors.
- Retirees.
- Scientists, Professionals and Specialized Technicians.
- Athletes duly accredited before the National Sports Counsel.
- Press correspondents.
- Persons admitted under the Retiree Income Program (Renters).

Temporary residents may only carry out the lucrative activities that are duly authorized by the Immigration Directorate.

Applicants for the categories of Retirees, must validly prove that their monthly income from a Pension Fund or other form of retiree income is over US\$1,000.00.

In the case of Renters, they must prove that their monthly income, from an institution abroad or local bank, is over US \$2,500.00. Generally, those applying under the category of Renters purchase certificates of deposit (CD'S) from banks in Costa Rica which allow them to prove that they are entitled to the monthly interest amount required.

The investor category applies when the foreign citizen has one or more properties/vehicles that together are worth US\$150,000 or more under personal name.

If the investment is done in an entity (purchase of stocks), then the stock capital needs to be of the amount of the investments (at least US\$150,000) and the entity needs to be registered before Tax Authorities as taxpayer.

This type of Residency as an Investor also applies in case you are planning on doing a different type of investment project in our country.

Once temporary residences expire, individuals can apply for an extension.

Special Categories

These are special authorizations granted by the Immigration Directorate:

- Temporary workers who live near Costa Rica's borders
- Temporary workers under other conditions
- Workers who can perform a specific, desired occupation
- Students
- Refugees
- Artists, athletes and members of public spectacles



- Workers linked to specific projects of public interest

On July 4th, 2022, a regulation to implement a new category of non-residents, “estancia,” was approved for **Workers or Remote Service Providers (“Digital nomads”)**.

This estancia allows the foreign person to live in Costa Rica and work for an entity abroad.

Requirements for this type of “estancia” include:

- a) Proof that the person receives a stable monthly remuneration for an amount equal to or greater than US\$3,000.00 or its equivalent. If the applicant requests the benefits for his family group, the amount of income to be demonstrated must be US\$4,000.00 per month. In any case, the income needs to be received even if the person is not in their country of origin, the worker cannot generate income inside Costa Rica.
- b) Obtain medical services insurance for at least \$50,000 that covers the applicant for the entire duration of their stay in the country.

The estancia permit is granted for 1 year, renewable for 1 additional year if the person spends at least 180 days in the country.

3 ORGANIZING YOUR BUSINESS

General

The Costa Rican Code of Commerce establishes two different types of business organizations.

Types of Business Organizations in Costa Rica

	Corporation	Limited Liability Company
Constitution	Corporations in Costa Rica are known as “Sociedades Anónimas” or “S.A.” They must be constituted before a Public Notary and must be registered in the Costa Rican Public Registry, under the Mercantile Registry. Corporations must be constituted by at least two people, two corporations, or any combination thereof.	This type of business organization is a hybrid between a Partnership and a Corporation, it is known as “Sociedades de Responsabilidad Limitada” or “S.R.L.”, or limited liability corporations. In the same manner as a Shared Corporation, they must be constituted before a Public Notary, by a minimum of two persons or two corporations, or a combination of both. Generally, the requirements for constitution and incorporation purposes are the same as those established for Corporations.
Administration	The corporation will be administered by a Board of Directors who will have a minimum of three members: a President, a Secretary and a Treasurer.	The management of an S.R.L. is much simpler than that of a Corporation, since it only requires a minimum of one Manager to oversee the Company’s administration.



Capital And Participation	The corporation is formed by the paid in capital contribution of the founding partners, in the form of Capital Shares, which will reflect the distribution of the paid capital amongst the partners. To increase (or reduce) the Share Capital, the corporation must follow the guidelines and requirements established in the Costa Rican Code of Commerce. The shareholders' legal responsibility in the Corporation is limited to the amount of capital shares belonging to each.	The S.R.L.'s Capital, unlike the S.A.'s, is not represented by shares but by what are known as "quotas". The personal liability of a quota holder is limited to their his or her paid-in capital contribution to the company.
Legal Representation	The legal representation, as well as the usual full powers of attorney, are granted to the President per the Commercial Code. Still, such powers of attorney may be limited in their amount and functions, as the shareholders decide. Other powers of attorney may be granted to other members of the Board	The Manager will be the legal representative of the representation of the Company and his powers of attorney can be limited as is desired by the quota holders in the quota-holders assembly.
Shareholders' And Quotaholders' Assembly	The shareholders' assembly is the maximum body of authority of the corporation and it is empowered to decide on all matters. This includes any modifications to the articles of incorporation, increasing or reducing the Corporation's Share Capital, granting powers of attorney, appointing and revoking persons as members of the Board of Directors, approve management reports, and receive the comptroller's recommendations report.	<p>Since S.R.L.s incorporate elements of the Partnership modality, the transfer of ownership of a quota holder is limited by the following rules: Quotas may only be transferred with the unanimous consent of the remaining quota holders. This limitation can be lowered to a minimum consent of seventy five percent of the quota holders.</p> <p>Quota holders may oppose a transfer and thus a right of first refusal would be constituted for the other quota holders to acquire the quotas under the same conditions as they were offered to third parties. If the quota holders do not exercise this option during the subsequent fifteen days, the transfer may be carried out to the third party.</p> <p>To be effective, all transfers of quotas must be granted in a private or public document, registered in the Company's quota holder Registry Book.</p>

Corporations

Corporations in Costa Rica are known as "Sociedades Anónimas" or "S.A.". They are constituted before a Public Notary and must be registered at the Costa Rican Public Mercantile Registry. Once registered, corporations will be assigned a corporate identification number ("Cédula Jurídica")

Founding partners: Corporations must be constituted by at least two people, two corporations, or any combination thereof. After the constitution, all shares may belong to one partner.

Corporate capital: The corporation is formed by the paid-in capital contribution of the founding partners in the form of Capital Shares, reflecting the distribution of the paid capital amongst the partners. The shareholders' economic responsibility in the Corporation is limited to the amount of capital shares belonging to each and not any personal assets. When transferring the stock capital of a company, there will be a 1.5% indirect transfer tax.

Administration: Board of Directors with at least three members: President, Secretary, and Treasurer.

Legal representation: The Commercial Code grants full power of attorney to the President of the Board of Directors. The shareholders may grant power of attorney to other members of the Board, limit the economic amount or category of their functions, or agree on two or more Board members to act jointly for special acts.



Limited Liability Companies

Due to its similarity with the U.S. Partnerships, this type of business form may be used as “pass through entity” for U.S. tax purposes.

Since S.R.L.s incorporate elements of the Partnership modality, transfer of ownership of a quota holder is limited by the following rules:

- Quotas may only be transferred with the unanimous consent of the remaining quota holders. This limitation can be lowered to a minimum consent of seventy-five per cent of the quota holders;
- Quota holders may oppose a transfer, and thus, a right of first refusal would be constituted for the other quota holders to acquire the quotas under the same conditions as they were offered to third parties. If the quota holders do not exercise this option during the subsequent fifteen days, the transfer may be carried out to the third party;
- To be effective, all transfers of quotas must be granted in a private or public document registered in the Company's quota holder Registry Book. A certificate representing the transferred quota must be issued and handed to the holder.

Other Business Forms

The Costa Rican Code of Commerce establishes three other business forms: Sole Proprietorship Companies, or “One-man companies,” Partnerships, and Collective name companies. No additional reference will be made to these business forms since they are generally not used in Costa Rican business practice. This happens because these forms of business do not limit the partner's liability to the amount of his capital contribution to constitute this entity. Instead, a partner's responsibility is extended to all of their assets.

Regarding the filing of tax returns, unlike Corporations and Limited Liability Companies, these partnerships do not constitute a separate patrimony from that of its partners. Therefore when filing for taxes the partner must not only take into consideration his assets and taxable income during a fiscal period, but he must also include the assets and taxable income of the partnership.

Transparency and Final Beneficiary Registration

The Transparency and Final Beneficiary Registration is a new corporate obligation effective since September 1st, 2019.

This registration requires the legal representative to submit a report to a centralized registry operated by the Costa Rican Central Bank (“BCCR”). The report includes holding companies and shareholders' identity up to the final beneficiary which must be a physical person. The only exception to this is when there are publicly traded companies as a final beneficiary.

This registration process is executed through a digital platform created for this effect by the BCCR, with secure access by means of a digital signature⁹. According to law, access to this database is very limited and shall only be used for money

⁹ A digital signature is a technological tool issued by the BCCR, that contains a digital device “key” in order to sign documents digitally. It specifies the identity associated with the key, providing authenticity to the signee and the information associated with that signature. Foreigners that do not have residency in Costa Rica are not eligible right now to obtain a digital signature. This means that they must grant a power of attorney on behalf of the company to someone with a digital signature.



laundrying investigations, anti-terrorism and similar crimes. This registration comes as part of the *Best Practices* recommended by Non-Government Organizations and Task Forces against Money Laundering, and Terrorism¹⁰.

Companies that do not comply with the Transparency and Final Beneficiary Registration will not be able to obtain corporate certifications, file modifications to its bylaws, and may be fined.

4 LABOR & SOCIAL POLICY LEGISLATION

General

This section is dedicated to current Costa Rican legislation and requirements regarding labor and social policy issues. It includes employment conditions, environment, human rights, and general Costa Rican social policy for providing basic services such as water, electricity, health, and education.

Employment Law

Becoming an Employer

Physical or corporate employers must complete the following registration process:

Underwriting an Insurance Policy

The employer must obtain an Insurance Policy with the National Insurance Institute (INS) that includes work-related accidents in the next eight days after hiring an employee. Only foreigners with a valid work permit issued by the Immigration Directorate may be legally hired.

Registering as an Employer before the Social Security Authority

The Costa Rican Social Security Authority is “Caja Costarricense del Seguro Social” or “CCSS”. The documents required to register vary for an individual or corporate employer, and the registration may be done in any of CCSS’s regional offices.

Once the Employer has completed these two requirements, they can prepare and sign Labor Contracts with his employees. When hiring personnel in Costa Rica, the employer must take into consideration the following:

Work Agreements

An individual labor contract takes place when an individual agrees to render his services or to perform certain tasks for another, under the permanent subordination and direction of a superior in exchange for remuneration. Labor contracts should be written, detailed, and signed by both parties. In a labor dispute, actual conditions would prevail to the written ones and the employer must properly prove any argument in its defense before any authority.

Requirements for a Labor Agreement and Relationship:

¹⁰ Ministry of Finance, Costa Rica, <https://www.hacienda.go.cr/noticias/15360-registro-de-transparencia-y-beneficiarios-finales-sera-obligatorio-a-partir-del-1-de-setiembre-de-2019>



1. The activities to be performed by a properly identified employee.
2. A subordinate relationship where the employer has the authority to demand compliance with internal regulations, direct orders, and establish work conditions, benefits or sanctions according to law.
3. Obligation to pay a salary for the service rendered or the work executed.

Salary

The Labor Code has established the following legal measures for salary protection:

1. The amount of the salary is agreed freely between both parties but can be less than the Minimum Wage Decree issued every semester for each labor category by the Ministry of Labor. This Decree is usually in effect on the first day of January and July of every year¹¹.
2. The salary must be paid in local or foreign currency. Therefore, it is prohibited to pay with coupons or any other representative document in which the substitution of money is intended. Other forms of payment will also be added to the amount of salary, retribution, percentage fee, commission, or in kind, among others.
3. Payment Periodicity: Parties may agree on a convenient term, but it can never be more than fifteen days for manual workers, or a month for intellectual or domestic workers.
4. Proof of payment: Payment must be registered and rendered during labor hours or immediately after the end of the work period. Payment should be accessible the day it's done, so, if the payment method requires a visit to the bank, the employer will authorize the employee's early departure. Currently most companies safely deposit the salary in the employee's bank or debit account, saving them time and procuring registration.
5. An employee's salary must be paid directly to the employee or to the person he authorizes in writing.
6. Salaries may only be seized and impounded up to certain percentages as indicated in the Labor Code.
7. A person's salary must be paid completely at the end of every payment period, except for the deductions authorized by law. A complete salary is interpreted as the amount earned during the ordinary and extraordinary schedule.

Types of salaries

Following are the different types of salaries; all of them must be taken into consideration when calculating and paying any labor obligations, and they must be reported through the payroll to the Costa Rican Social Security and to the corresponding Pension Operator.

1. By unit of time: It is paid by the hour, day, week, bi-weekly, or monthly.
2. According to a specific work or piece.

¹¹ Ministry of Labor, Costa Rica, <http://www.mtss.go.cr/temas-laborales/salarios/lista-salarios.html>



3. In-kind: It only covers what the employee or his family may receive in food, housing, clothing, and other articles provided to him for immediate personal consumption or use. For this purpose, and while the salary's value is determined in each case, if the in-kind salary is not previously agreed between the employee and employer, it shall be presumed to equal 50% of the employee's salary.
4. Salary based on a percentage fee or commission: This is paid according to the acts or commercial operations the worker carries out. The fee may be related to sales performance (sale fee), collections (collection fee), or both. The amount varies according to the transactions carried out.

Employee Trial Period

The trial period includes the first three months of uninterrupted work. After this time, Costa Rican labor law requires payment of the termination amount when an employer dismisses an employee. Termination amounts are exempt if such dismissal is justified by noncompliance or gross breach of employees' duties, such as but not limited to, theft, illegal, immoral acts, or if the employee resigns voluntarily. There are specific tables to calculate termination benefits, depending on time served and salaries earned.

If an employee works for less than three months, the employer must only pay earned vacation days and the proportional year-end bonus.

Legal Rights Granted to Employees under Costa Rican Legislation:

Notice of Termination

Labor contracts with an indefinite term need a notice of termination. Either of the parties can terminate the relationship, but they are required to give the other a notice that is defined by the following conditions:

1. After continuous work over three months but less than six, the notice must be given at least one week in advance.
2. After continuous work for more than six months but not over a year, the notice must be given at least fifteen days in advance.
3. After a year of continuous work, the notice must be given at least one month in advance.

The notice must be given in writing; the employee may also give it verbally, but it must be in the presence of two witnesses.

During the notice of termination period, the employer must allow the employee one day off every week to look for another job, regardless of which party decided the termination or resignation. This day off should not be discounted from their salary.

Severance pay

Severance pay is a form of compensation granted in favor of the employee dismissed with the employer's responsibility. This responsibility arises in the following cases:

1. When the labor contract is ended by the employer on his own will, it is a justified dismissal.



2. When the employer breaches the contract, and the employee seeks a formal termination of the contract in the Courts of Justice.
3. Due to retirement, disability, or death of the employee, or any other cause unrelated to the employee's will.

The Labor Code indicates that severance pay will be for a maximum of eight years of continuous work. Nevertheless, on February 18th, 2000, the Employee Protection Law came into effect, and it established new rules for severance pay, creating a new complementary pension regime and a Labor Capitalization Fund.

The same rules govern the compensation for notice and the severance payment:

1. The amount paid by both cannot be redeemed, sold, or transferred, it can only be impounded due to a legal pension granted to a spouse or for child support.
2. The compensation will be calculated upon the average salary received by the employee during the last six months (or time worked, if it is less). It will then be multiplied by certain percentages that take into account time worked.

Vacations

Every employee has the right to be paid annual vacations. The minimum is two weeks for every fifty weeks of continuous work performed for the same employer. If the labor relationship ends before these fifty weeks, the employee has the right to a day's salary for every month worked. Since vacations constitute a right earned as the service is rendered, the end of a labor contract or agreement will not affect the employee's right to receive vacation pay. In any case, the employee must receive the equivalent in money.

Vacation pay is calculated using an average of the salaries earned during the last fifty weeks or the actual time worked -- if less. This average must include ordinary and extraordinary (over time) salaries earned during that period.

The employer, as a matter of principle, has the right to determine the date an employee may go on vacation, but the law requires that it take place during the next fifteen weeks from the day that fifty weeks of services rendered have taken place.

Vacation periods must be enjoyed completely and without interruptions; however, the law allows that, for once, only a vacation period be divided into two parts (at most) if both parties agree.

Year-end bonus

It is mandatory to pay all employees a one-month salary as a year-end bonus after twelve months of continuous work. This benefit is known as "Aguinaldo" or thirteenth salary. An employer not complying with this legal obligation during the first twenty (20) days of December will be committing an illegal salary reduction. The employee can terminate the labor contract with the employer's responsibility.

As is the case with vacations, the year-end bonus is a right that must be paid to the employee for rendering his or her services. Therefore, if the labor relationship terminates for any reason, the benefit must be paid proportionately, using the one-twelfth rule.



Work Shifts

There are three kinds of working shifts:

1. **Daytime:** between 5:00 am and 7:00 pm, this workday cannot be longer than eight hours (can be extended to a maximum of ten hours);
2. **Night:** Between 7:00 pm and 5:00 am and has a limit of six hours;
3. **Mixed:** A combination of both shifts (partly daytime and partly night shift) is limited to seven working hours, but it may be extended to eight hours as long as the work is not dangerous or unhealthy.

Applicable Work Shifts for Managers, Administrators, and Sales Agents

Given their special functions, these workers are not subject to workday limitations. These include Managers, Administrators, Agents, and all other employees who work without immediate supervision since their position is based on trust. Also included are commission agents and similar employees who do not stay in the workplace, those who have non-continuous work shifts, or those who work singly. Nonetheless, these employees are not required to stay for more than twelve hours a day in the workplace, and they have the right to rest during their workday for at least an hour and a half.

Difference between Work Shift and Workday

Establishing the difference between workday and work shift or schedule is important since they are often misunderstood.

Workday refers to the time the employee is at the employer's disposal to comply with what is agreed in his labor contract. For all legal considerations, the maximum is eight hours during the day shift, six hours for the night shift, and seven if combined. The day shift may be exceptionally extended to ten hours if it does not exceed forty-eight hours a week.

Work Shift or Work Schedule: this refers to how the workday is distributed to the maximum number of hours that can be worked in a day. The schedule can be continuous or non-continuous, rigid or flexible, accumulative or not, but it always depends on the number of hours legally established for each type of shift. Such distributions include all the hours of the workday, as well as its intervals, such as lunchtime and rest periods. For example, if continuous, a regular business schedule or shift would go from 8:00 a.m. to 4:00 p.m.

Continuous and Non-Continuous Work Schedule: The continuous schedule refers to the employee's work from the beginning to the end of the workday so that the person is always under the employer's supervision and demand, without the possibility of leaving work to rest and eat. In the continuous schedule, the employee must be granted a minimum rest period of half an hour, and this rest must be paid since it is considered effective working time.

Modification of the Workday and Work Schedule: The working day and the salary constitute a fundamental element of the labor relationship, and therefore the employer cannot modify them unilaterally. Any variation in the workday must have the employee's approval, who has the right to refuse without any justified reason.

The same does not occur with the work schedule since it is an accessory element of the contract, and it can be varied by the employer as long as it doesn't undermine the employee's rights.



Extraordinary Workday: The extraordinary workday is the effective work executed outside the following limits: after eight hours in the day shift, after six hours in the night shift, or after seven hours in the combined workday. This amount must be considered as salary for all legal purposes and must be considered for calculating payment of vacations, year-end bonuses, and severance, among others.

Our Courts of Justice have repeatedly stated that the extraordinary workday, as its name indicates, must be worked only in extraordinary circumstances required by the company and cannot be postponed. Otherwise, we would be in the presence of a permanent extraordinary workday, which is not legally admissible since a normal workday should satisfy the employer's ongoing needs, and in such case, what is required by law is an increase in personnel.

Holidays

According to Costa Rican law, the following dates are considered mandatory holidays; if an employee works it, double pay is required. Due to the global pandemic, some holidays in Costa Rica were moved to Mondays to promote and encourage local tourism. For 2021, this is the holidays calendar:

Holiday	Date
New year	January 1 st
Holy Thursday	April 1 st
Holy Friday	April 2 nd
Juan Santamaria's day	April 11 th
Labor Day	May 1 st
Annexation of the Nicoya Party	July 25 th
Day of the Virgin of the Angels	August 2 nd
Mother's Day	August 15 th
Independence Day	September 15 th
Abolition of the Army	December 1 st

August 2nd and December 1st are also considered holidays, but double payment is not obligatory, but special conditions apply.

Those who belong to a religion other than Catholicism have the right to request permission to celebrate the mandatory holidays under their specific Creeds. In these cases, the employer is obliged to grant permission. When this takes place, the employer and employee must reach an agreement regarding the date and time of this permission because it may be deducted from vacation days.

It is prohibited for employers to force employees to work during the holidays and the employer who does this may be subjected to a fine and will have to pay double for those days worked.

Payment of Salary

The payment salaries are calculated hourly, daily, weekly, biweekly or monthly.

Hourly, Daily, Weekly: When the method of payment is hourly, daily or weekly, it only implies payment of time effectively worked, and not payment of the days used for resting. These employees only have the right to receive payment for the official holidays explained previously. Regarding non mandatory holidays, these employees have the right to enjoy them but without pay. However, if they work on any of those days, they must be paid their normal salary.



Biweekly and Monthly: A monthly salary includes thirty days in a month and therefore the ordinary salary includes both working and nonworking days (which can be holidays and resting days). This means that any type of holiday, whether it must be paid or not, is already included in the ordinary salary, but if the employee is required to work on that day, another ordinary salary must be paid to the employee, in order to complete the double payment required by law.

Special Protection Imposed by Legislation to Regulate the Work of Women

Work of Pregnant Women

Working women have several special considerations, particularly if they become pregnant during their labor contract. The most significant benefit is a paid maternity leave that begins thirty days before the scheduled birth date and until ninety days after. There are also nursing rights, when the employee presents a doctor's certification of the existence of this activity. In order to comply, the employer must authorize an hour a day and set up an adequate place for the mother to breastfeed the newborn child (if brought to her working place) or to express and store her milk during the day. This time can't be reduced from her income and the employer and employee may agree on moving this hour to the end of the day so she can leave earlier. Terminating the Work Agreement of a Pregnant Woman

There is a legal prohibition to dismiss a pregnant employee or a woman in her nursing period. The employee must file a medical certification of her pregnancy to be protected by this law. Once the employer has been notified of her pregnancy or this condition is notorious and evident, the employer cannot terminate a pregnant woman without first obtaining the authorization of the Ministry of Labor and Social Security. Any employer who fails to comply with these provisions will not only be required to pay for the four-month maternity leave period but must also hire back the dismissed employee and pay all salaries. Upon knowledge of her pregnancy, an employee has the option of resigning upon receipt of all salaries until the time of delivery and three months thereafter.

Disciplinary Authority of the Employer

Use of Internal Work By-laws

Legal practices regarding sanctions for tardiness or unjustified absences are difficult to explain since the Labor Code does not regulate them explicitly. The best advice is to create and publish internal work regulations, which must cover these aspects explicitly.

Obligation to Abide to the Employers Regulations and Disciplinary Sanctions

If the employee repeatedly does not obey, this can lead to a dismissal without employer's responsibility. Dismissal is also possible for a repeated conduct when there have been previous warnings and that the attitude of disobedience is clearly expressed by the employee. In every case it is absolutely necessary to warn the employee in writing before the dismissal.

The employer may proceed with immediate dismissal without employer responsibility if some serious offenses described by law occur. However, the employer can decide not to proceed with such severe punishment and give the employee a warning, he may decide to suspend the employee without pay instead of dismissing him. This is the only case that suspensions without pay can be imposed. The employer also has the right to deduct from the employee's salary the time he has been absent from work. For companies that have not issued Internal Bylaws approved by the Ministry of Labor, they are permitted to have internal regulations that use a system of escalating disciplinary procedures for offenses such



as tardiness, absences, leaving work without justification and others. The sanctions vary from a verbal warning, a written warning or suspensions without pay.

Illness and Disability of Employees

Payment of Compensation by the Employer

The employer must pay the agreed compensation if an employee has a disability document issued by a Costa Rican Social Security System (CCSS) doctor describing the type of illness or disability and the recommended number of days of sick leave. An illness or disability certification from a doctor who is not an employee of the Social Security Administration may justify the employee's absence. Still, it will not be enough to secure monetary compensation during illness or disability.

5 ENVIRONMENTAL LEGISLATION

General

All aspects related to the environment are regulated by the Ministry of Environment and Energy, which is known as "MINAE." Other environmental institutions also function within this Ministry, which is part of the Executive Branch. Their sole purpose is to protect the environment and the country's natural resources. Some of these institutions are the National Environmental Technical Secretariat, known as "SETENA,"; the Department of Water, or the Direction of Conservation Areas "SINAC". When requesting an operation license for determined business activities, some authorizations must be provided by these offices.

National Environmental Technical Secretariat (SETENA)

This entity oversees approving and granting technical resolutions regarding the general use and protection of natural resources in the construction of projects or authorization of activities that could endanger or restrict the use of natural resources. It also acts against the pollution of natural resources (air, soil, and water), transportation and storage of dangerous materials, handling of hazardous wastes, underground storage tanks for gasoline, and other similar potential contingencies.

Depending on the nature of the proposed projects, it may require submitting an environmental impact study and the corresponding findings to SETENA for approval. This procedure calls for a series of documents and information that the applicant must supply. If the project is approved, the applicant will be able to continue with the proposed project. If it is denied, the applicant must re-formulate the project, adopting the changes and recommendations issued by SETENA to comply with environmental regulations.

The Department of Water

This Department is in charge of all matters pertaining to the drilling of water wells and the granting of concessions over those water rights. Parties interested in drilling their property to obtain water for their personal use or for a development project, must hire a company registered with the Water Department. Once the company has been hired, they will submit all the necessary documentation required for a water concession. The beneficiary of the concession will have to pay a quarterly fee to the Department of Water for the use of the underground water. This office also authorizes requests such as increasing the allowed quantity of extracted water and the transfer of rights over the concession.



The Direction of Conservation Areas (SINAC)

This Institution has mapped the exact location of all national parks, private and public natural reserves, and any other resource and land protection granted by the Costa Rican government to protect its natural resources. This is a very useful tool when purchasing property in Costa Rica since this allows confirmation that the property of interest can't be encumbered or restricted by these regulations. If the property to be purchased is within a national protected area, this tool will allow the purchaser to know firsthand, before making any purchase, what restrictions and limitations have been imposed upon the property before making a decision.

6 CONSUMER PROTECTION LEGISLATION

Costa Rican legislation protects consumers with the Competition Promotion and Effective Consumer Protection Act. This act includes settling disputes between parties using alternative resolution mechanisms instead of long, expensive judicial procedures. Also, the law regulates the Direction of Consumer Support, a Ministry of Economy, Industry and Commerce department where consumers can file claims and request assistance related to products and services purchased, published, label information, etc.

This entity will assist the consumer with his claim and try to bring the parties together to resolve the issue satisfactorily. If the issue cannot be resolved through alternative dispute resolution mechanisms, the plaintiff can present his case before the National Consumer Commission, where an administrative procedure will be conducted to review the case. and issue a final resolution on the conflict, which must be respected by both parties

7 GENERAL COMMERCIAL LAW

General

Certain sections of Costa Rica's general commercial law can potentially affect almost every business established in Costa Rica. These areas will be discussed in this section.

Competition Law

The Competition Promotion and Effective Consumer Protection Act governs competition law. This legislation regulates the use of disloyal business practices in local and international commerce. The most important activities covered by this legislation are practices such as dumping and monopolistic practices.

Claims against these practices must be submitted before the Direction of Anti-Competitive Business Practices, the entity in charge of processing and reviewing these claims. This office may also receive claims filed due to anti-competitive practices amongst national businesses and their business relations with other national or international businesses.

Intellectual Property

Patent Law

The Invention Patent, Industrial Design, and Utility Model Law regulates patent protection in Costa Rica. The most important aspects of this legislation will be explained below.

Patent Law Damages and Infringement



Patents must be filed and registered before the Patent Office in the Costa Rican Public Registry. If granted, the patent protection will be valid for twenty years. Whenever patent or industrial design rights are infringed, the beneficiary may initiate a claim procedure against those who have infringed them, including persons or companies who execute acts that infringe such rights.

This legislation also establishes criminal actions against those who infringe rights granted under its protection by imposing prison sentences of up to two years and fines of up to one thousand dollars. Infringement may include the unauthorized manufacture, use, sale, import, or export of a patented invention.

What makes an invention worthy of Patent Protection?

The Patent Law states that an invention worthy of patent protection must meet the requirement of “novelty” and must be subject to industrial use. It is said that an invention occurs when the proposed invention is not obvious to a person with general knowledge on the subject of the patent to be registered. Regarding the industrial use to be given to the patent, this occurs when the object of the patent can be produced or utilized in an industrial process, which must be understood in the broadest sense: craftsmanship, agriculture, mining, fishing and all other services.

Industrial Designs

General

The protection of industrial designs is regulated by patent registration. Industrial designs are defined as any combination of lines or colors and plastic shapes as long as that combination or shape gives a special appearance to an industrial or artistic product that can be utilized for its fabrication.

Registration Requirement

A request for protection must be filed before the Industrial Property Registry in the Costa Rican Public Registry. The applicant must indicate the type of product to which the design will be applied, as well as the patent class, in accordance with the International Classification for Drawings and Industrial Models. The application must include five graphic representations or photographs of the drawing or model.

Duration of Protection

Patented drawings or industrial designs are protected for up to ten years.

Copyrights

General

The protection of copyrights is granted by the Author Rights Act, which protects intellectual creations of an author such as literary and artistic creations, computer programs and software, musical creations and compositions, cinematographic production, drawings, paintings, architectural designs, sculptures, photographs, and others, against attempts to copy the intellectual creation or to commercially exploit it.



Registration of Copyrights

In order to register a copyright an interested party must file a request before the Costa Rican Registry of Author Rights, which is part of the Costa Rican Public Registry. This request must include the applicant's personal information, as well as that of the author, the title of the production, its type and the place and date of publication. The Copyrights Act also establishes criminal and civil actions against those who infringe registered copyrights.

Duration of Copyright Protection

The term of protection of a copyrighted production is equal to the lifespan of the author plus seventy years after his death. If the term cannot be counted from the moment of death of the author, it will be counted from the end of the year in which the production was published.

Trademarks

General

A trademark must serve to distinguish the source of a particular product or service. Two types of trademarks have been defined by current trademark legislation:

1. **Trademarks:** that protect the name of a specific business entity, registration is necessary at the Costa Rican Industrial Property Registry department of the Public Registry.
2. **Brand registrations:** for products and services sorted per the "NICE" Classification, which includes forty-five different classes in which brands and services may be registered.

Requirements

In order to be registered, a brand must possess a sign or combination of signs capable of distinguishing the goods or services sold under a brand name. Applicants must file brand or trademark registration requests before the Costa Rican Industrial Property Registry. The application must include:

- Name and address of the applicant.
- Business address and if the applicant is a corporation: Legal domicile.
- For companies: name of the legal representative.
- Name and address of the authorized representative in Costa Rica if the company or person does not have an address or commercial establishment in Costa Rica.
- Name of the brand or trademark to be registered
- Three reproductions of the brand are to be registered.
- Specific design to identify a brand or trademark
- Translation to Spanish of the brand or trademark
- A list of the names of the products and services which the brand will identify,
- Indicate the class for the brand's registration in accordance with the "NICE" Classification.
- After the request is filed, and if there are no oppositions presented, the Registrar will issue a notice which must be published in the official newspaper announcing that the registration request for the brand has been submitted. During the following two-month period interested parties may oppose the registration of the brand. If no



oppositions are received, the Registrar will issue a brand certificate which will be awarded to the applicant and will serve as proof of the registration.

Registration and Renewal

Once approved, a trademark's registration is valid indefinitely, whereas a brand may be registered for a period of ten years, with renewable ten-year periods during an indefinite number of times. The procedure to renew the registration is very similar to that of the registration in terms of the information required by the Registrar.

8 IMPORT / EXPORT

Exporting

Following its stated objective of promoting economic growth and streamlining and decentralizing the export processes, The Foreign Trade Corporation of Costa Rica has developed the Integrated One-Stop Office of Foreign Trade System (SIVUCE) to assist exporters in the entire export process. "Pre-stamped Export Forms" are available at all times in the Corporation's Offices.

Exporter Registry

General

Exporting companies need a three-position code number, which works like a current account with the Central Bank of Costa Rica and as a customs code. Registration for this code is requested before the Foreign Trade Single Counter that registers the authorized signatures of each exporting entity. This Registration Number is valid for one year and is renewable at expiration. Currently, the Exporter Registry Application may be submitted or renewed in two different ways:

Manual Exporter Registry: An envelope containing the Exporter Registration documents must be purchased and the requirements listed therein must be submitted to the Single Counter.

Electronic Exporter Registry: Accessible through the PROCOMER Website: www.procomer.com, under the "Registro de Exportador en Línea" (Exporter Register Online) option. Fill out the electronic form on the screen and present the requested documents at the One Stop Office, following the instructions at the end of the procedure.

This process will be deemed void if the documents requested contain erasures, scratches or other irregularities that may cast doubt upon their authenticity.

Requirements

If the user is a person, the following must be provided: personal identification card or a valid Residency identity card. When foreigners do not have a residency permit, they shall use special codes: 000 for cash export with commercial value and ZZZ for exports with no commercial value. If the user is a corporation, it must be duly registered in the Costa Rican Public Registry. A payment of one thousand Colones shall be made at the One Stop Office to register or renew the Exporter Registry identification number, both the electronic and the manual versions.



Companies functioning under the Free Zone System are granted Exporter status and are therefore not required to complete this process with the One Stop Office of PROCOMER.

For further information, please contact: registroexportador@procomer.go.cr, or for queries related to the exporter code, please access:

<https://www.procomer.com/sobre-nosotros/conozcanos/soporte-en-linea/>

Export Permits

Pursuant to the current national and international legislation, several offices of the different public and private institutions are responsible for issuing the respective permits and/or certificates required to ensure control over the operations of Costa Rican manufacturers of goods and to certify that the products to be exported meet all health and sanitary standards existing in the international market.

Depending on the product to be exported, the permits and/or certificates that must be obtained are as follows:

Type of Product	Name of Institution	Website
Wild animals	MINAE	www.minae.go.cr
Weapons and explosives	Ministerio de Seguridad	www.seguridadpublica.go.cr
Sugar	Liga Agrícola Industrial de la Caña	www.laica.co.cr
Coffee	Instituto del Café	www.icafe.cr
Flowers	Asociación Costarricense de Floricultores	Not available
Sandstone, stone, sand, earth, etc.	Geología y Minas (MINAE)	www.minae.go.cr
Processed food products	Departamento de Control de Alimentos del Ministerio de Salud, Tel. 221-6058.	www.ministeriodesalud.go.cr/index.php/tramites-ms/registro-de-productos-de-interes-sanitario-ms?id=635
Produce	Dirección de Sanidad Vegetal del M.A.G	www.sfe.go.cr/SitePages/Inicio.aspx
Fisheries products	Instituto Costarricense de Pesca y Acuicultura (Incopesca),	www.infoagro.go.cr
Textile products	Oficina de Cuotas Textiles	www.textilescr.com
Wood products	Contraloría Ambiental- MINAE.	Not available
Seeds	Oficina Nacional de Semillas	Not available



Sanitary Restriction and Export Permits

Some products are subject to special restrictions and/or regulations, and require a permit issued by other entities, as shown below:

Table # 1:
Products Subject to Export Prohibitions and Restrictions

Product Description	Permit- Responsible Entity	Records	Supporting Law
Shark fins, cartilage, craws, tilapia, and ornamental fish	Permit from INCOPESCA	Fishing records and statistical controls	Law # 7348, Incomesca Law, 16-2-84.
Coffee (roasted or whole grain)	Permit from Inst. del Café de Costa Rica (ICAFE)	Coffee and coffee-product export records and statistical controls	Law N 28018-MAG of 9-8-99.
All plant and textile fiber and apparel. Textiles to third-country markets	Permit from Oficina de Cuotas Textiles (For exports to third-country markets)	Third-country market records and statistical control for purposes of export statistics.	Executive Decree 24304, of 24-5-95.
Bulk sugar	Permit from Liga Agrícola de la Caña de Azúcar (LAICA)	Sugar production and export records and statistical control	Law N 7818, LAICA Law of 2-9-98.
Human organs	PROHIBITED (Ministry of Health)	Public Health	General Health Law N 5395, of 30-10-73
Blood and Plasma	PROHIBITED (authorized only for research purposes and only upon approval of the Ministry of Health)	Public Health	General Health Law N5395 of 30-10-73
Reproductions of stone, gold, clay or ceramics indigenous artifacts	Permit from National Museum	Protection of Heritage	Law 6703, Article 31. Law N 6091 of 7-10-77.
Indigenous artifacts	PROHIBITED	Protection of Heritage	Law on national Archaeological Heritage. Law 6703, of 28-12-81.



Clay decorations	Permit from National Museum	Protection of Heritage	Law 6703, Article 31. Law N 6091 of 7-10-77.
Dogs and cats	Health Control Department, Ministry of Health	Public Health	Animal Health Law 6243, Regulation 14584-A of 16-5-83.
Flowers	Consejo Nacional de Exp. de Flores	Flower export records and product statistical controls	Decree #18942 CE, of 27-4-89
Weapons, Ammunition and Explosives	Permit from Ministry of Public Security	Public Security	Law N 7530, 10-7-95 and Executive Decree N 25120-SP, 17-4-97
Industrial Ammonium nitrate under heading 3602.00. Weapons and explosives	Permit from Ministry of Public Security	Public Security	Law N 7530, 10-7-95 and Executive Decree N 25120-SP, 17-4-97
Phosphorus (Chapter 36 (except for matches) Weapons and Explosives	Permit from Ministry of Public Security	Public Security	Law N 7530, 10-7-95 and Executive Decree N 25120-SP, 17-4-97
Exports of nucifera coconut and green dwarf malansimo to the USA	National Seeds Office	Records and statistical control	Not regulated by law, but by provisions of the importing country
Seeds	Permit from National Seeds Office	Records and statistical control of seed exports	Law N 6289, Seeds Law of 4-12-78, and 7642: Article 15, sub-paragraph F.
Wild animals, live or dissected, sandstone, stone, sand, calcium carbonate, gold and silver, orchids (plant, not the flower), earth	Permit from the Ministry of the environment and Energy (MINAE)	Protection of the Environment	Law N 5605, 30-10-74; Law N 7317, 7-12-92; Executive Decree N 26435-MINAE, 1-10-97.

Export Processing

General

All exports require a previous administrative process using an export form (DAE or FAUCA), indicating complete merchandise departure data. This can be done at the Central Offices of the One Stop Office (VUCE) by completing the necessary export forms.



Importing

Any person desiring to import products from abroad must first select a Customs Broker because the General Customs Law states that Customs Brokers are the only entities authorized by the Tax Administration to provide the services required by importing merchandise.

Interested parties must provide the selected Custom Agent with the following documents to begin the import process:

1. A commercial invoice that proves the purchase and origin of the goods.
2. Airway Bill, Letter of Port, or B/L, depending on the transport method used for importing the merchandise.
3. Photocopy of the applicant's identity document, passport, or corporate identity card if the applicant is a corporation.

The Customs Broker will classify the imported products and determine if they require import permits. The Broker is authorized to request the necessary permits on behalf of the importer since most products must first be registered with the Ministry of Public Health or the Ministry of Agriculture, depending on the nature of the goods. Once the permits have been approved, the Customs Agency will draft an Import Customs Declaration, which will be filed before the Customs Office with jurisdiction over the location where the merchandise has been temporarily stored.

Following normal authorization procedures for all Customs Declarations, the Customs Office will select merchandise for inspection through a random process. Such inspection may be a physical inspection of the merchandise or a review of the accompanying documentation. Once the merchandise has been checked following one of the aforementioned review procedures by the Customs Office, the importer must pay the required import duties and taxes through the Customs Agent. After receiving payment, the Customs Broker will issue an official document to retrieve the merchandise from the Customs Warehouse.

9 REAL ESTATE

General

Real estate law in Costa Rica is governed by the principles established in the Costa Rican Civil Code for acquiring, selling, and disposing of property. The official registration of real property is made through a registry system administered by the Property Registry of the Costa Rican National Registry. This system consists of a registration deed system, which provides public registration of public documents and legal acts affecting land.

Non-Resident Ownership

Property ownership in Costa Rica is an individual right legally protected by our Constitution, which states that no person can be deprived of his or her property unless it is for a necessary public use, in which case it will be compensated. The Constitution grants the same rights to foreign citizens. A person or corporation that has acquired property can dispose of it by selling, renting, encumbering, mortgaging, or using it for any desired purpose, as long as it is per the law and the regulations for land use. All physical or legal persons, whether Costa Rican nationals or foreigners, may purchase, sell, own, and in any way dispose of property that belongs to them.



Land Use Planning

Local governments, known as Municipalities, govern land use in the towns, cities, and rural areas of their jurisdiction. These entities levy and collect real estate ownership taxes, and they pass bylaws and legislation to determine the use that will be allowed for private and public properties. Consequently, local governments can regulate matters such as the type of construction that can be built, its height, density, and other building requirements. They also issue building and remodeling permits, requiring that interested parties wishing to carry out any construction comply with the established regulations, including zoning laws. Some Municipalities, due to lack of funding, have yet to be able to legislate on subjects such as land use planning and building requirements. In such cases, a desired construction will be governed by the Costa Rican Construction Code and the regulations issued by the National Institute of Housing and Urban Planning. Most Municipalities' building and construction regulations abide by the standards and regulations contained in the Costa Rican Construction Code. Still, specific laws, such as those passed by the Municipalities, will prevail over general legislation, such as the Construction Code.

Title Registration

As stated above, title registration in Costa Rica is based on a national Public Registry System. All properties must be registered, and the information will be publically accessible. The Public Property Registry contains all information such as area, plane number, location, boundary properties, liens or encumbrances, easements, mortgage liens encumbrances, and any other sort of limitation to property rights. For a property to be sold, it must be cleared of any limitations. Transfers of property and the registration of all kinds of deeds relating to real property must be carried out through a Public Notary, who will draft the deed for the property, and all interested parties must participate in the granting of the deed. Once the deed has been prepared, reviewed, and signed, the Notary will pay all the required duties and taxes on behalf of his client and submit it to the Property Registry to register it.

Taxes on Real Property

The local Municipality collects taxes on the ownership of Real Property with jurisdiction over the area in which the property is located. There is an annual tax of 0.25% of the property value declared before the Municipality, and, in most cases, payment is collected quarterly. Owners are responsible for paying this tax. Noncompliance could result in fines, interest, and possible encumbrances upon the property by the local Municipality, leading to possible foreclosure of the property in severe cases. Also, when transferring real property, the Tax Administration and the Public Registry charge a series of taxes and duties that must be paid to process and register the deed, as follows:

Transfer Tax:	1.5% of the property value
Registry Stamps:	0.9% (Approximate)

The indicated taxes represent a 2.4% of the property value and they must be paid before the deed is submitted to the Property Registry. Since Public Notaries are private parties who are authorized to perform public functions, their fees are set by the Costa Rican Bar, in conjunction with the legislative power through a specific legislation which is updated periodically. Currently Notary fees for the drafting, issuing and submitting for registration a deed for the sale of a real estate property is set at 1.25% of the property value.

Capital gains on the purchase and sale of real estate property are currently taxed in Costa Rica, as explained in point 6.1.4.



Shoreline Concessions

In 1973 Costa Rica passed legislation that regulated the ownership, sale and purchase of properties located on the Shoreline. The Shoreline is a strip of land starting from the line set by the lowest tide and moving inward two hundred meters. Of those two hundred meters, the first fifty have been declared to be of public domain and therefore cannot be owned by any physical or legal person. Access to that fifty-meter strip is free since it is meant for public use. The administration of the remaining strip measuring one hundred and fifty meters wide, also known as the Restricted Area, has been awarded to the local Municipalities, who may grant concessions for its use. These regulations are governed by the Shoreline Zone Act (Ley Zona Marítimo Terrestre), which establishes several conditions and regulations for using concessions granted in the maritime-terrestrial zone. These conditions and regulations are described below.

Requesting a Concession

Concessions for land use can be requested by those persons who are in valid possession of a property located within the Shoreline Zone or by persons who own properties bordering on the restricted area.

Limitations to Possessing Concessions

The Shoreline Zone Act establishes that the following persons and corporations cannot be granted concessions in the Shoreline Zone: i- foreigners who have not resided in the country for at least five years; ii- corporations with bearer shares; iii- corporations registered or established abroad; iv- corporations and entities constituted by foreigners; and, v- corporations in which foreigners own more than fifty percent of the capital stock.

Regulatory Plans

To file a concession request, the area in which the concession is located must have an approved and published Municipal Regulatory Plan. However, due to inadequate funding in some Municipalities, a local regulatory plan has yet to be issued, and concessions cannot be validly granted. In the face of this obstacle, some investors and real estate developers have opted to prepare a regulatory plan for the Municipality, assuming the costs involved. Municipalities will most likely accept this kind of offer as long as the regulatory plan complies with the conditions set forth by the Municipality.

Procedure to Register a Concession

The procedure for a land grant or concession consists of submitting a request before the local Municipality. The request will be reviewed, and the land will be inspected. If approved, the local Municipality will issue a notice that must be published in the official newspaper, allowing interested parties to manifest the concerns, complaints, or opposition regarding usage rights that may have existed previously. Once this procedure concludes, the Municipality can pass a resolution approving the concession and authorizing the drafting of a contract with the selected beneficiary. The Costa Rican Tourism Board must also approve and sign such a document. After this contract has been signed, a Public Notary must notarize the contract and file it before the Concession Registry of the Costa Rican Public Registry to guarantee that the grant will be protected from potential future claims by third parties.

Term of the Concession

Concessions are granted for terms ranging from five to twenty years. Still, they may be extended for equal time spans if the beneficiary of the concession has complied with the Municipality's requirements and established concession fees have been paid on the required dates.



Payment of Concession Rights

When the concession is granted, the Municipality will establish an annual canon (recurring tax obligation) that the beneficiary must pay to enjoy the rights granted to him by the Municipality.

Condominium Property

The Condominium Property Law governs condominium property in Costa Rica.

Registration of Property in the Condominium Property Regime (System)

Private property developments may be registered into the condominium property regime if the owners comply with the legal requirements for this ownership property category. The system needs a principal property from which filial or branch properties will be derived. Each filial property will be assigned a different registration number in the Real Property Registry, always including the letter “F.”

Areas Within the Condominium

Two types of areas are established in a condominium property, and together they comprise the total land area of the Condominium:

1. Common Areas, which generally are for the general use of the condominium owners but may be restricted to a portion of the owners, depending on numerous variations of the concept.
2. Private Areas, which belong exclusively to each unit owner and will have complete domain over the property.

Rights of the Condominium Owner

The unit owner is, therefore, the exclusive owner of his filial property and owner of a proportional right over the general common areas. The size of the filial ownership will determine such proportional ownership as compared to the total land area of the condominium. No owner can be limited in using and enjoying the general common areas, nor may he claim a preemptive right over other owners for having a larger percentage of ownership of the total property.

Condominium Owners Assembly and Condominium Administration

The Condominium Owners Assembly is the governing body with maximum authority within any property subject to the condominium property regime. Its members are the owners of the filial or branch properties, and their task is to oversee the general administration of the condominium, including matters such as budgeting, condominium fees, repairs, maintenance, and other issues of general interest, which will be voted on in the assemblies or meetings that will be called. There is also an administrative entity that will be in charge of the administration of the condominium, including the collection of condominium fees, maintenance of the common areas, minor repairs, and the judicial and private representation of the condominium. Such functions may be carried out by a person or a corporation appointed by the Assembly.



Condominiums in the Shoreline Zone

Condominiums may also be constituted in concession areas within the Shoreline Zone. The most essential requirement for this kind of condominium is that the respective Municipality must have validly granted the concession and that it has been registered in the Concession Registry for it to be submitted to the Condominium Property regime. Expenses such as the payment of the annual concession fee are distributed amongst the condominium owners, and compliance with the dispositions included in the concession contract and provisions of the Shoreline Zone Act will be the responsibility of the Condominium Administrator, who may carry out actions against condominium owners who in any way violate such dispositions.

The Golf of Papagayo Tourist Development Project

General

Bahía Culebra (also called Gulf of Papagayo) was designated as an area of public interest in August 1979 allowing the creation of a major tourist development project in June 1982, dedicated exclusively to tourism projects such as hotels, residences, golf courses, marinas and other major tourism activities. The land is leased to applicants in the legal form of a concession, much like those granted for the Shoreline Zone described above, but with the special regulations detailed below. This tourist development is known as “Papagayo Gulf Tourist Development” or “Polo Turístico del Golfo de Papagayo.”

Master Plan

The project has been developed in strict compliance with the regulations and restrictions contained in the Master Plan to develop the area. Any new projects or development must comply with such regulations and restrictions. There are special regulations for each activity and its location. Investors are advised to consult specialized legal counsel before engaging in any activities in this special area.

Managing Council for the Project

A Managing Council, under the authority of the Costa Rican Tourism Institute, is in charge of directing, coordinating, administering and controlling the development of the project. The council has a total of five members, three representing the Tourism Board and two persons from the private sector, with experience in tourism, which will be elected by the Board of Directors of the Tourism Institute.

Term of the Concession

Concessions may be granted for a minimum term of ten years and a maximum of fifty. These terms can be extended for equal periods as those granted as long as the beneficiary of the concession has complied with the obligations stated in the specific concession contract and the laws and regulations that govern a project.

Procedure to Obtain a Grant, Purchase, Sell, or Transfer the Rights to a Concession

To obtain a grant or concession over lands currently owned by the Costa Rican Tourism Board, interested parties must participate in a public bid reviewed by a technical office whose recommendations will be presented to the Board of Directors of the Tourism Institute, who may approve the petition. The approval by the Board of Directors is also required to transfer (totally or partially), establish a lien, or transfer concession rights into a trust.



Concessions granted to third-party applicants may be validly purchased by new applicants and transferred, totally or partially, by those legally empowered to do so. Transfer of rights to a concession must be approved by the Board of Directors of the Costa Rican Tourism Institute, and those acquiring the rights must comply with the regulations stated for the original concession and with all the current applicable requirements. The transfer of rights to a concession is made through a public deed in which the representative of the Tourism Board, the purchaser, and the seller are present to grant the transfer. This deed is registered in the Project's Concession Registry.

Registration of a Concession

When the Board has approved the concession of Directors, the interested party must register it in the Project's Concession Registry at the Costa Rican Public Registry. The Project's Concession Registry will also register mortgage liens, leases, and transfers of concession rights to trusts.

Financing the Purchase and Development of a Concession

Through the creation of the Tourism Development Project, all Costa Rican banking system banks were authorized to grant loans to the owners of concession rights in the Project, accepting as collateral the conceded land itself and any improvements or constructions made upon it. This incentivizes Financial Institutions to provide loans to develop the project since they have sufficient and authorized collateral, and the public record of the legal rights granted to them as liens in the Project's Concession Registry.

10 TAXATION LAW

Income Tax

General

Residents and non-residents of Costa Rica are taxed on their income only if it originates from a Costa Rican source. This could be a case-by-case scenario and is required to be analyzed by accountants and tax advisors. All persons who carry out commercial activities and all corporations must register before the Costa Rican Tax Authority as taxpayers, including companies with non-economic or business activity.

Fiscal Year

After December 2020, the Tax Fiscal Year will be based on the normal calendar year. Taxable income will apply to the income earned in Costa Rican territory during this period.

Taxation of Resident and Non-resident Individuals and Corporations

As stated above, Costa Rica's tax legislation taxes residents and non-residents in the same manner.

Individuals

Individuals must pay taxes on their net taxable income received throughout the fiscal year per an annual table provided by the Tax Administration. Amounts are updated each year.



Individuals with Economic Activities

Individuals with economic activities must pay taxes on their net taxable income received throughout the fiscal year in accordance with the following table: amounts are updated each year.

Corporations

The income tax is calculated multiplying the profit of the period by the tax rate, according to rules applicable and updated each year.

A company must register before the Tax Contributor Registry (Registro de Contribuyentes) before it begins any commercial operation that generates income.). Also, as a Corporate Law since 2017, all non-active entities must be registered before the Tax Authority. Non-active entities are those not registered as income and/or sales taxpayers with the Tax Administration.

Passive Income ("Rentas de Capital" in Spanish) and Income Tax Regime in Costa Rica

Law No. 7092 governs all income derived from Costa Rican sources. As of July 2019, Costa Rica introduced two tax alternatives for rental property owners. In addition to the Traditional Income Tax Regime, a new tax category, the "Passive Rent Income Tax Regime" (Passive Income), was implemented. This framework introduced special rules that may affect how taxpayers file their income tax returns.

Traditional Income Tax Regime

- Requires annual tax filing (see important note below for start date confirmation).
- Taxpayers must employ at least one registered employee and comply with all legal obligations, including minimum wage, CCSS (Costa Rican Social Security), and INS (National Insurance Institute).
- A minimum five-year commitment is required under this regime.
- Operating expenses are fully deductible, provided they comply with tax regulations and are supported by appropriate electronic invoices.
- Tax rate: 30% on net income.

Important Note: To register under this regime, taxpayers must file a request before the end of the tax year. The new tax status will take effect in the following tax year. If a new taxpayer registers during a given year, tax declarations must be filed under the Passive Rent Income Tax Regime until the new fiscal year begins.

Passive Rent Income Tax Regime

- Requires monthly income tax filings.
- Allows a fixed deduction of up to 15% of gross income for expenses, with or without proof (invoices are not required).



- No additional expense deductions are permitted if total operating expenses exceed the 15% cap.
- Tax payments and filings must be completed within the first 15 days of the following month.
- The effective tax rate is 15% on 85% of net income, equivalent to 12.75% of gross income.

Value-Added Tax (VAT) in Costa Rica

In Costa Rica, VAT is referred to in Spanish as “Impuesto al Valor Agregado” (IVA). The general VAT rate is 13% and applies to goods, services, and the importation of goods and services.

- VAT returns must be filed monthly, with payments due within 15 days after filing.
- Electronic invoicing and billing software are mandatory for all taxpayers, ensuring proper tracking of VAT credits and payable VAT.

Non-Active corporations

Non-active entities shall pay approximately US\$100.00 as a fixed corporate tax to any of the banks of the Costa Rican Banking System. If the legal representatives or owners do not have a Costa Rican bank account, the payment can be arranged through a local contact (property manager, accountant, and/or attorney).

Also, starting from 2021, all non-active corporations and companies (entities that do not carry on a trade or business in Costa Rica) must submit information on their assets, liabilities, and capital on Form D-135, “Declaration of Assets for Inactive Companies” annually within two months and 15 calendar days from the end of the tax year for income tax purposes. The form must be filed even if the information has not changed from the previous year.

Book-keeping System

All tax-contributing entities are required to have a proper book-keeping system with 3 accounting books known as “*Diario*”, “*Mayor*,” and “*Inventarios y Balances*”. The accountants are in charge of keeping these books updated. Entities are not obligated to hire auditors or have an auditor in staff. This is a standard practice once the company is operating a business.

Annual Tax Declaration

All tax-contributing entities must file an annual tax declaration form at the end of every fiscal year. Nonetheless, passive income entities, such as those that have rental-generating activities, must file a monthly declaration form before the Tax Administration.

The tax rate on profits and passive income is calculated as follows:

- 15% on the result of the gross income minus 15% fixed deductible expenses.
- Deductible expenses are allowed for 15% of gross income.
- 12.75% effective tax rate on gross income.

Partnerships

For US purposes, Costa Rican Limited Liability Partnerships are treated as flow-through entities or disregarded entities. This could constitute a tax exception for U.S. residents who own these business organizations in Costa Rica.



Types of Income

Capital Gains and Capital Losses

Capital gains in Costa Rica are regulated as follows: a) on property acquired before June 30th, 2019, the tax will be either 2.25% of the total sale price or 15% of capital gain (the difference between acquisition price and sales price). This shall apply to the first sale and not to repeated activities. The tax is 15% of the capital gain for properties acquired after that date. However, suppose the asset is related to a business activity taxed in the traditional income tax (not passive income). In that case, the capital gain will be part of the profit of the period taxed with 30%, in the same way, capital losses related to the operation of a business can be deducted from the payment of income tax.

Dividends

Dividends or income distributions arising from accumulated profits are subject to a tax of 15%.

Foreign Source Income

As stated above, taxpayers in Costa Rica are only taxed on their Costa Rica source income; therefore, in Costa Rican tax legislation, foreign source income received from another country is not taxed.

Income from Salaries and Other Forms of Personal Compensation

The employer must declare income from salaries or compensation as a deductible expense for his company and by the employee as taxable income. All employers must register all employees before the Costa Rican Social Security, regardless of their residency status. Also, they must pay the established employer payroll taxes such as pension plans, employment insurance, employee health tax, and worker's compensation plan. They must also deduct personal income taxes and employee social contributions and turn them over to the corresponding government agencies as soon as deducted.

Services Tax

Taxes on income received in payment of professional services rendered to third parties must be declared through a tax return.

Value Added Tax

It is a tax on the added value in the sale of goods and provision of services in Costa Rica. The VAT paid during the same month can be used as a tax credit if you have received an electronic invoice and uploaded it to the government tax office.

When the Tax Credit is greater than the Tax Debit in a fiscal period, the difference constitutes a tax balance in favor of the taxpayer that may be offset in the next month.

This will require to fill out the corresponding tax return and to pay the VAT (net) by the 15th calendar day of each month with the Form D-104. Even if there has been zero activity, the tax declaration form must be presented.

There are different reduced VAT rates and exemptions according to the economic activity, service or product sold, or type of entity; but the applicable general rate would be of 13%.



If medical services are paid with a credit card, there is no VAT.

Taxes on Real Property

As stated above, there is a 0.25% tax on the registered property value, which is calculated annually but paid quarterly throughout the year. In addition to property taxes, other kinds of taxes are imposed upon different kinds of activities, such as the exploitation of mines and others. Such taxes must be paid directly to the local Municipality.

Business Licenses

To legally operate, a business owner must request and obtain a business license from the Municipality with jurisdiction over the area where the business is established. This tax varies from each Municipality but generally is a 0.035% percentage calculated on the gross income of the business and is generally paid quarterly.

Tax on Incorporated Corporations

Currently, incorporated and registered corporations that do not generate taxable income must only pay an annual tax of two hundred dollars for all registered and incorporated corporations. Public Notaries incorporating these corporations will serve as collection agents, and the corporation's representatives will be responsible for the annual payments thereon.

11. ABOUT THE FIRM

Cordero & Cordero Abogados was established in 1940 and is a full-service law firm specializing in Business and Corporate Law. It represents national and international entities doing business in Costa Rica through its San Jose and Guanacaste offices, providing services throughout the country's territory. In addition, to support its clients regionally, it has corresponding law firms in all Central American jurisdictions, as well as internationally, through the International Lawyers Network (ILN).

Its lawyers, paralegals, and staff are experienced professionals capable of dealing with complex transactions and specialized legal requirements. They are determined to provide the highest quality legal service through a personalized, essential, and responsive approach in every legal matter.