

CASA CANADA GROUP



COSTA RICA INFORMATION

**INVESTMENTS
RESIDENCY
LAWS, RULES AND REGULATIONS**

2011

CASA CANADA GROUP

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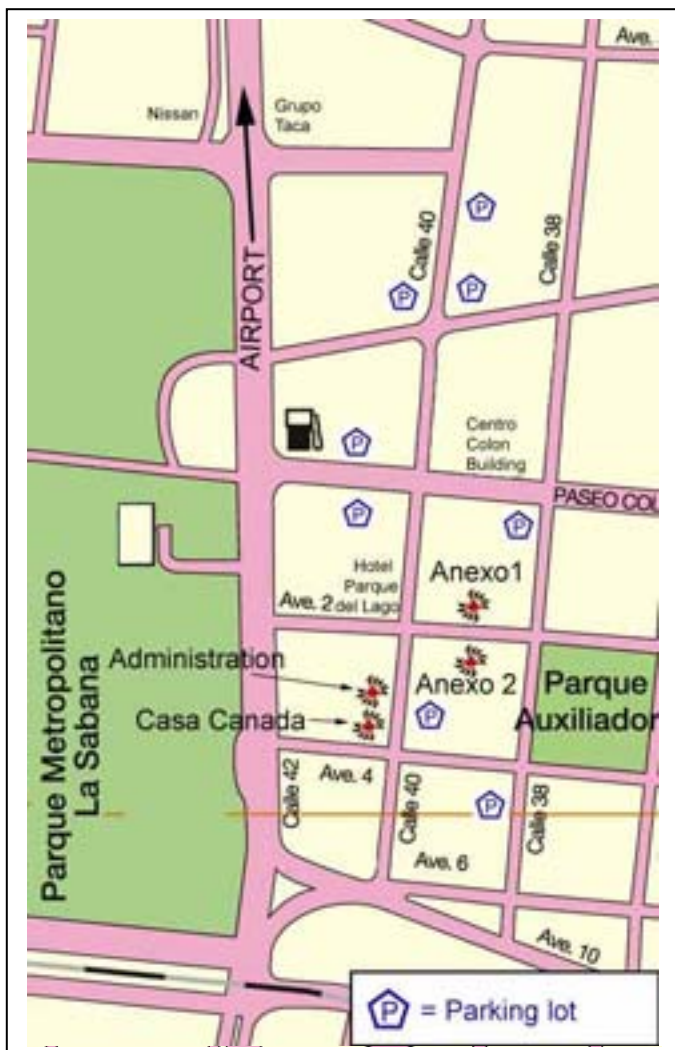
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CASA CANADA

Casa Canadá is located in the Western area of San José just east of Sabana Park. It is very near to the San José exits of the freeway from the airport, and the freeway from Escazu and the main road to the West Coast and the Port of Caldera. The Association of Residents of Costa Rica, the travel division, part of the legal department, the insurance division, the internet cafe, the book exchange and library and the courier mail service are all located in the original Casa Canada Building on the corner of 4th Ave and 40th Street. The mortgage division, real estate division, property management, accounting, and the office of the general manager are all located in Casa Canada Administración, located next to the original building. Casa Canada's Anexo 1 & Anexo 2 are around the corner.



The concept for Casa Canadá started in 1992, as a central point where businessmen, investors and new residents to Costa Rica could come and be assured of fair and honest treatment.

Today Casa Canadá is close to “one stop shopping” for services for Ticos, visitors and foreign residents. Casa Canadá group can help you with insurance, travel, company formation, buying or selling real estate, providing a mortgage, investing money, supplying an office, Costa Rican residency, legal advice, accounting or administrative services, property and company management, book exchange, internet cafe, courier mail service and much more. English is spoken in all locations.

We invite you to take advantage of this amazing resource if you are moving or travelling to Costa Rica, or if you are doing business or living here now.

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INTRODUCTION

THE CASA CANADA GROUP operates primarily in Costa Rica. Costa Rica was chosen due to its many investment opportunities, an expanding economy, a pro-business government and sustained growth. There is well established banking, accounting and legal infrastructure.

EXCHANGE CONTROL There are no exchange controls in Costa Rica

LAWS Based on Spanish Civil Law

TAXES

- There are no income taxes on income earned outside of Costa Rica.
- There are no capital gains taxes.
- There are no inheritance taxes
- There is no tax on interest income from Costa Rican banks or government bonds.
- There are corporate income taxes on a sliding scale from 10% to 30%.
- There is a 13% sales tax.

TAX TREATY

- There is an exchange of information treaty with the USA.
- There is no tax treaty with Canada.

DEMOCRATIC

- Independent since 1821
- Current constitution was passed in 1948
- Republican form of government, with a President
- No military
- Elections are for a 4-year term.
- Constitutional court can overrule legislature that contravenes the constitution.
- Rights of property ownership are in the constitution
- Non-residents can have companies, own land, and operate businesses in Costa Rica.
- Non-residents are protected by the constitution

REGISTRY Land and company registries are similar to those found in North America, and are computerized. Casa Canada has direct computer access to the Central Registry for on-line property, vehicle and company searches.

COMMUNICATIONS

- Reliable international direct dial telephone and fax
- Cellular telephone service is widely available.
- Internet services, including high speed Internet
- Most major courier services are available
- Banks transfer funds in and out by wire without restriction.
- Frequent direct airline connections to North America, South America and Europe.

BANKING

- Four state owned banks in which the government guarantees deposits without limit
- Many private banks including major international banks.
- Banks and the stock market are supervised by the Central Bank of Costa Rica through regulatory agencies.

Casa Canada Group is an administrative group, and does not accept client funds for discretionary investment. Investments can be made in the name of a client's company, following the instruction of the clients. Consultation and advice are always available at no charge.

Some of the advantages of the management program are as follows.

- Ability to manage ones affairs by "remote control" from anywhere in the world by email, fax or phone. Assets can be bought and sold, funds transferred, bills paid and banking transacted very simply.
- Financial assets held in companies in administration with nominee shareholders and directors are protected from litigation against the owner.
- No death duties or costs such as probate fees, legal fees, or taxes on deemed disposition of assets. No inheritance taxes. We transfer company shares as a client service without charge following the exact written estate instructions on file.
- Personal and corporate privacy.
- Easy access to an account executive by phone, fax or email for consultation or to give instructions. Toll Free service from the USA & Canada.

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THE ASSOCIATION OF RESIDENTS OF COSTA RICA

Casa Canada Group manages the business affairs of the Association of Residents of Costa Rica. This non-profit organization assists people who wish to move to Costa Rica and has a long list of programs available to assist members once they are resident. It also has an active charity division and holds a number of events each year for members.

The Association of Residents of Costa Rica (ARCR) is administered by ARCR Administración S.A., and has offices in Casa Canada, plus branch offices in the province of Guanacaste.

Association of Residents of Costa Rica	Telephone:	506-2233-8068
P.O. Box 1191-1007	Fax:	506-2255-0061
Centro Colon	Email:	arcr@casacanada.net
San Jose, Costa Rica	Web Site:	www.arcr.net

THINKING OF MOVING TO COSTA RICA?

ARCR recommends that anyone considering moving to Costa Rica first visit as a tourist. The longer you can stay the better. It is important that in addition to knowing the logistics of establishing residency and making the move, you get a little taste of what life will be like.

Depending on your country of origin, you can remain in Costa Rica with a tourist visa for up to three months. With a driver's license from your home country and your valid passport, you can legally drive. During this time try to get a feel for what day-to-day life will be like -- learn first-hand that a different culture means different responses to given situations. Explore the country, and try to experience the different microclimates to help choose the area in which you would like to live so that you will be satisfied and comfortable.

Costa Rica is a Spanish speaking country. Outside the tourist areas there is not much English spoken, but Costa Ricans are a warm and friendly people and are willing to try to help. There are many schools offering Spanish immersion courses, and private lessons are relatively easy to arrange. Of course, practice is the key.

What is it like to live in Costa Rica?

Only your own experience can answer that, since it is different for every person, but some basic information may help you in your investigation. Foreign residents and tourists can own a house and property in Costa Rica, and there are houses, condos and apartments available for rent in most areas of the country. Rental prices vary from US\$300 upwards, depending on your choice of location and type of house. Location also dictates the house price, whether buying or building. The closer to San Jose (i.e. Escazu, Santa Ana, San Pedro) the higher the price is likely to be. At the present time, if you own a house and car and have no debts, a couple can live comfortably on US\$1,500-2,500 per month depending on your lifestyle. Personal services (i.e. Maid, gardener, beauty parlour, etc.) are very reasonable.

Automobiles are relatively expensive in Costa Rica. While visiting, check around for prices on the type of car you would prefer. Some people ship their own cars from home, so check with ARCR on the cost of the import tax and shipping charges for your car and household goods. ARCR can also help by recommending well-established moving and customs services. With this information you are in a better position to make a sound decision. Auto parts are expensive, but labour is reasonable. Many roads are poor, with an ample supply of potholes, but the government has made great strides in improving this situation in recent years.

Property taxes are generally lower in Costa Rica than in North America and many other countries. There are no income taxes on foreign pensions or income generated outside of Costa Rica, but you may have to pay taxes on income generated within Costa Rica. Businesses income, after expenses, is taxed, and there is a 13% general sales tax on goods and services including restaurants and hotels. An automatic 10% service charge is added to or included in all restaurant and bar bills.

Pensionados and rentistas are allowed to own and operate a business but are not permitted to work for wages for someone else.

Costa Rica has both private and public health care systems, and there is reasonable insurance available for both. ARCR offers group insurance discounts for its members. The private clinics, doctors, specialists and laboratories are all quickly accessible and modestly priced compared to North America. Overall health care is good in Costa Rica. There are also reasonably priced dentists and periodontists available.

Whether purchasing a house, car, or other investment, it is advisable to exercise more caution than you would normally, especially if you don't understand Spanish. Get recommendations for good lawyers and other professionals from the ARCR or other residents, and be sure to understand all of the terms and conditions before making a deposit or committing yourself. Like many places in the world, it is a 'Buyer Beware' society.

There is theft here, especially in or close to large cities. Exercise common sense when parking your car - lock it and don't leave visible valuables inside. When walking downtown streets don't wear expensive flashy jewellery.

Costa Rica is a beautiful and peaceful country. The army was abolished in 1948, and the people, in general, are kind and warm-hearted. The weather is warm; the sun shines most days of the year and the pace of life is more relaxed than in North America. Members and staff of the ARCR and other 'expats' are all happy to assist you. In the end, your ability to adapt and approach life with a relaxed attitude will govern your degree of happiness and satisfaction with the Costa Rican lifestyle.

ABOUT THE ARCR

The Association of Residents of Costa Rica (ARCR) is a non-profit association serving foreign residents in Costa Rica and people abroad who want to become residents of Costa Rica. ARCR Administración S.A., a part of Casa Canada Group, operates the business side of the ARCR.

The ARCR serves members both prior to arrival in Costa Rica and throughout the years of residency here. Main areas of activity are reflected in the bylaws:

- To advocate for members before the government in legal and human rights matters.
- To inform members about government laws, regulations, and policies.
- To inform interested persons about procedures for becoming legal residents, and to assist and advise them during the process.
- To organize social activities for members.
- To promote member volunteer participation in Costa Rica society and culture.

WHAT DOES THE ARCR OFFER?

Moving to a new country with a different culture is exciting, and the ARCR can help with the legal, moving, language and cultural problems. As an ARCR member, you can take advantage of a large range of bilingual services and benefits. Here are a few.

- Provides answers to questions before a member moves.
- Legal resident applications, file updates and identity card renewals.
- Services in areas such as investments, real estate (including appraisals) and banking.
- Assistance with shipping and customs.
- Referrals for legal, tax and accounting assistance.
- Assistance in dealing with various government departments in Costa Rica.
- Two different group medical insurance plans.
- All types of insurance are available in the ARCR San Jose offices. Claims can be filed in the ARCR office.
- Importation papers for pets into and out of Costa Rica.
- Inexpensive international mail courier service to the US postal system in Miami, Florida.
- Vehicle & property title searches, company searches, and credit checks.
- Photocopy, translation, fax, mail delivery and inexpensive Internet cafe services.
- English language book exchange and library.
- Discounts on a wide variety of goods and services at hundreds of merchants.
- Work permits for foreign domestic staff.
- Subscription to "EL RESIDENTE" magazine.
- Social and cultural activities throughout the year.
- Participation in the ARCR charities programs to help less fortunate people in Costa Rica.

MEMBERSHIP DUES

“Provisional Membership” is for those not yet legal residents in Costa Rica. Dues are US\$100 per year. Legal Residents pay dues of US\$50 per year, and the spouse or dependant of any member may become an Associate Member (with all privileges) for \$10 per year.

Visit us in Casa Canada, at the corner of 4th Avenue (Avenida) and 40th Street (Calle). Tell the taxi we are 100 meters South and 100 meters East of Soda Tapia.

SEMINARS

The ARCR holds two-day seminars every month except December. There are knowledgeable speakers on a wide range of topics. The seminars cost \$40 for members and \$65 for non-members, including a full lunch both days. The seminars are intended as an educational service to assist people in establishing themselves in Costa Rica. Contact ARCR for a reservation to attend.

Some topics of the seminars are as follows.

- Costa Rican law
- Real Estate rentals and purchase
- Medical care and hospitals in Costa Rica
- Banking and financial institutions
- Employee rights, regulations pertaining to domestic employees
- Investing in Costa Rica
- Insurance in Costa Rica
- Residency types and benefits
- Customs & moving
- About learning Spanish
- Costa Rican culture
- Communications in Costa Rica
- Living conditions in general

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IMMIGRATION & RESIDENCY IN COSTA RICA

RESIDENCY TYPES

Contracted lawyers process residencies under ARCR supervision.

Permanent Residency <i>PERMANENTE</i>	Retired Residents <i>PENSIONADO</i>	Earning Residents <i>RENTISTA</i>	Company Visa <i>REPRESENTANTE</i>	Investor Resident <i>INVERSIONISTA</i>
First degree relative status with a Costa Rican Citizen OR Marriage to a citizen OR child that is a Costa Rican citizen OR You may apply after 3 years of another residency status	Requires proof of US\$1000 per month* income (equivalent) from permanent pension source or retirement fund. (Combined pensions from one individual qualifies)	Proof of US\$2500 monthly income/family* for 5 years, guaranteed by a banking institution. (A sample letter with the required wording is available at ARCR) OR \$150,000 deposit in a cooperating Costa Rican bank.	Applicant must be on the board of directors of a company-meeting certain requirements, such as employing a minimum number of local workers (established by law), with certified financial statements	\$200,000 in any business OR A specified amount of investment in certain government approved sectors.
Must visit Costa Rica at least once (72 hrs) per year.	Must remain in the country for at least 122 days per year.	Must remain in the country for at least 122 days per year.	Must remain in the country for at least 182 days per year.	Must remain in the country for at least 182 days per year.
No	Dependants*	Dependants*	No	No
Can work.	Cannot work as an employee.	Cannot work as an employee.	Can earn a salary in the company.	Can receive income from the project.
Can own a company and receive income.	Can own a company and receive income.	Can own a company and receive income.	Can own a company and receive income.	Can own a company and receive income.
No exchange requirement.	Must exchange \$1000 per month within a bank in Costa Rica.	Must exchange amount per month within a bank in Costa Rica	No exchange requirement.	No exchange requirement.
Variable renewal.	Renewable every year.	Renewable every year.	Annual renewal.	Annual renewal.
Must enrol in the local government medical system (CCSS Seguro Social)				
US\$300+ guarantee deposit/person for all types of residency				
US\$123 <i>ID fee</i>	\$123 <i>ID fee</i>	\$123 <i>ID fee</i>	US\$123 <i>ID fee</i>	US\$123 <i>ID fee</i>

* *Pensionados* and *Rentistas* can claim their spouses and children under 18 as dependants (or a child between 18 and 25 enrolled in University). * **These new income amounts are effective March 2010** .

- *Entero* is the fee charged by the government for identity cards each time residency is granted / renewed (each person)

{The common types of residency are shown here. For specialized cases, such as student, work visas, temporary visas, diplomatic or political status, refugees or others consult the ARCR.}

COST OF PROCESSING COSTA RICAN RESIDENCY

The ARCR can process your residency application. Prices are in US\$.

<i>Pensionado, Rentista, or Permanent Residency</i>	\$ 950 for the primary applicant.
<i>Pensionado, Rentista Dependants</i>	\$950 for a spouse, \$500 per child.
<i>Inversionista or Representante</i>	\$1,200 for the primary applicant.

Prices include legal fees, translation of [English] documents, and all government stamps required, with the exception of consular stamps and certifications, and enteros or guarantee deposits. ARCR Administración S.A. provides detailed instructions on how to handle all documents in your country of origin and in Costa Rica.

The Costa Rican Consulate in your area must authenticate certain documents originating outside of Costa Rica. Before a member does that, ARCR encourages faxing the documents to our office to ensure the documents are correctly and fully completed, and to provide direction during the process. The Consul charges \$40 per authentication.

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COMPANY FORMATION & ADMINISTRATION

Casa Canada Group provides offices, officers and administration of client companies, ensuring that all legal, administrative and taxation requirements of the company are met.

A. BANKING

1. Opening and operating international or Costa Rican bank accounts
2. Monthly reconciliation of client bank statements
3. Making deposits, writing cheques, making wire transfers
4. Automatic payment of client invoices or bills
5. Transfer of funds for debit card accounts.

B. CORPORATE SERVICES

1. Incorporation of Costa Rican or Belize companies. This service includes:
 - a) Consultation
 - b) Company cédula or identification card. In Belize, certificate of incorporation.
 - c) Name searches
 - d) Provision and issue of shares
 - e) Provision of Costa Rican legal minute books
 - f) Provision of Costa Rican legal accounting books
 - g) Provision of Costa Rican shareholder register book
 - h) All legal fees
 - i) All registration fees
 - j) Payment of minimum capital.
2. Maintenance of Costa Rican or Belize companies. Additional fees may apply for some services.
 - a) Provision of a registered office
 - b) Provision of mail, email and fax addresses
 - c) Provision of a fiscal (controller) for a Costa Rican company.
 - d) Forwarding of any legal notices served on the company
 - e) Annual filing of corporate capital tax and educational stamp tax and reports.
 - f) Annual filing of income tax return and reports.
 - g) Paying quarterly payments of Income Tax as required.
 - h) Maintaining legal books for minutes and shareholder registers.
 - i) Updating legal accounting books quarterly as required by Costa Rican law.

NOTE: c), e), f), g) & i) are not required for Belize companies - there are no taxes.

3. Full accounting services including the preparation of monthly financial statements.
4. Supervision of client owned companies operating in Costa Rica.
5. Provision of nominee shareholders and directors for Costa Rican or Belize companies to allow for total privacy of ownership.

6. Preparation and filing of annual income tax reports, and payment of taxes due. Where required, quarterly tax submissions would be filed. Clients would be advised on tax planning. There are no taxes for a Belize company.

C. INCORPORATION OF A COSTA RICAN OR BELIZE COMPANY

1. **Name** - The name can be in either English or Spanish in Costa Rica, or almost any language in Belize. Country names cannot be part of the name of a company in Costa Rica.
2. **Cost** – The cost of a corporation is nine hundred fifty (\$US 950.00) US dollars for the first company, and seven hundred fifty (\$US 750.00) for additional companies for the same client. All Belize companies are \$750. Fees include:
 - Consulting
 - Legal fees
 - Registration costs
 - Cédula Juridica (Legal identification card for Costa Rica) or certificate of incorporation for Belize.
 - Costa Rican legal minute books
 - Costa Rican legal accounting books
 - Costa Rican shareholder register book
 - Belize registers where required.
3. **Administration Charges** - paid annually in advance
 - Administration - \$US 300 – includes registered office, updating accounting books, annual filing (but not preparation of taxes or financial statements), dealing with legal notifications and other administrative functions as required. The annual cost in Belize is \$US 400 due to a \$US100 government annual fee.
 - Where income taxes must be paid (usually 10% of the net profit) the charge is an additional \$150. This includes making quarterly payments the following year for estimated taxes as required by law, annual tax filing with Costa Rican style financial statements and English style monthly financial statements. Not applicable to Belize, where there are no taxes on an International Business Company (IBC).
 - Nominee Shareholders and Directors - \$400 – Where complete confidentiality is required we would provide those shareholders and officers required for the company. Two shareholders, a President, Treasurer, Secretary and Fiscal are needed for a Costa Rican company. The fee is only \$200 per year for a Belize company, as only two directors are required.
4. **Incorporation Time**
 - Casa Canada has companies incorporated available for immediate use. These companies are new, and have never been active in any way. They have very broad objects of incorporation and can do almost anything.

- A specialized company will take from 30 to 45 days for registration and incorporation once the registry has approved the name in Costa Rica, and less than a week in Belize.

5. **Types of Corporation**

There are two basic types of limited liability companies available under Costa Rican law as shown below.

1. **Limitada**

- May have a manager instead of a board of directors.
- Shares cannot be endorsed or transferred. They must be assigned. To be assigned they require approval of 75% or more of the other stockholders.
- If a person's name is used as part of the name of a company, that person is personally liable for corporate debts to the amount of the paid up capital of the largest single stockholder.

The Limitada form of incorporation is not recognised by the Department of Internal Revenue in the U.S. as being a limited company. Income is treated as if the stockholders were a partnership. Costa Rica treats this form of corporation as a limited liability company.

2. **Sociedad Anonima** (Recommended in most cases)

- Requires at least three directors - president, secretary and treasurer.
- Requires a controller, called a “fiscal”, to ensure the company abides by the laws of Costa Rica.
- There must be at least two shareholders at the time of incorporation. After incorporation, one shareholder may wholly own the company.
- Total amount of capitalization must be paid in advance of incorporation. These funds become available to the corporation after the company is incorporated. Minimum capital is 1,000 colones.

3. The only practical form of incorporation in Belize for a company that will not be doing business in Belize is the International Business Company. Local Belize companies are subject to income tax and have different rules applied. Local Belize companies can be supplied on request.

D. ADVANTAGES OF A COSTA RICAN OR BELIZE CORPORATION

Stability - The countries are stable, and democratic. There is no chance of violent political swings or military coups, and investors in Costa Rica are protected by the constitution of the country, which is enforced by the Constitutional Court. Local investment in Belize is not permitted for a Belize International Business Company.

Secrecy - Costa Rica has laws to ensure confidentiality between client and lawyer, however the Superintendent of Financial Entities (SUGEF) has access to all information, including the beneficial owners. The secrecy laws for Belize companies are very much stronger

Surprises - The legal and legislative system in Costa Rica prevents a government from introducing a sudden new tax or law which may be punishing to the owner of a Costa Rican corporation, or which may make an investment not viable. Retroactive legislation was totally unconstitutional in Costa Rica, although the Constitutional Court has recently said that in the case of taxation non-retroactivity of the law is no longer a complete guarantee. IBCs have no tax in Belize.

Taxation - There are no taxes payable by a Costa Rican corporation for revenue earned outside of the country. There are no capital gains taxes, making Costa Rica an excellent country for real estate holdings, either locally or outside of the country. Real estate has a reasonable rate of appreciation due to the country's lure as a retirement site, for the location of industrial plants, for agricultural production and for tourism. Due to its stability many companies and institutions choose it as a location for their Central American or Latin American head offices, keeping the market for residential and commercial real estate steady. Property taxes are low compared to many countries, and corporate income taxes are relatively low as well. The Belize IBC has no tax.

See the section on taxation for details on Costa Rica taxes.

A combination of Belize and Costa Rica companies can be idea to maximize the confidentiality of ownership, and minimization of income taxes for investments in Costa Rica. For individual requirements it would be best to consult with specialists at Casa Canada Group.

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PROPERTY MANAGEMENT

A. GENERAL

The Casa Canada Group has been involved in the management of residential and commercial real estate properties for clients for over sixteen years, and will manage any type of real estate property which a client, resident of Costa Rica or not, owns. Some types of real estate where we have the experience and resources to manage are as follows.

1. Residential houses, holiday cabins or homes.
2. Commercial office buildings.
3. Shopping centres or commercial shops.
4. Sub-divisions
5. Raw land held for future sale or development.

A client can invest in real estate in Costa Rica with confidence that the property will be looked after in their absence. This avoids theft or the loss of the right to use the property to squatters, and includes weekly studies of the central registry to ensure on fraudulent claims have been filed against the property.

Interested buyers can purchase foreclosed properties at below market value through Casa Canada.

A client may instruct Property Management S.A. to sell a property being managed. A qualified buyer will be located, a sale negotiated to the satisfaction of the client, the transfer of the property overseen and payment credited to the client's account.

B. MANAGEMENT SERVICES

1. Casa Canada Group can assist in acquiring the right property. It can:
 - Locate the property and check the title to it.
 - Negotiate the purchase.
 - Provide trust facilities for a deposit on the property.
 - Arrange the agreement for sale.
 - Arrange and oversee the legal steps to purchase and register the property.
 - Arrange title insurance should it be desired.
 - Provide insurance on the property.

2. Locate tenants by advertising in the ARCR magazine El Residente, through the Association of Residents of Costa Rica, in Spanish and English newspapers, on the Casa Canada real estate and other web sites, through the Costa Rican Real Estate Chamber and our sales force.
 - a. References will be requested and checked.
 - b. A credit check on the prospective tenant will be done through the principal credit bureaus in Costa Rica, to which our computers are connected.
 - c. Terms and conditions of a rental agreement will be negotiated with the prospective tenant, including rent, length of rental, rent increases and deposits.
 - d. All details of the proposed rental agreement will be forwarded to the client for approval.
 - e. Once the rental agreement has been approved, the last month's rent will be collected, plus a damage deposit if required.
 - f. Once the client accepts the rental agreement in writing, Casa Canada management will execute it on behalf of the client and forward a copy of the executed document.
3. Rents will be collected as negotiated with the tenant and approved by our client.
4. Where the property is raw land or unoccupied buildings guards can be arranged to care for the property on conditions approved by the client.
5. Casa Canada Group will ensure that employees on the property are paid on time, and that all payroll related costs such as CCSS and aguinaldo are paid in a timely manner. Records will be kept for employee vacations, aguinaldo, cesantia and preavisa as required under Costa Rican law.
6. Casa Canada Group will insure that bills are paid on time after being checked for accuracy. These could include, but are not limited to, electricity, telephone, water, cablevision and municipal charges for garbage collection or other municipal services. Municipal and territorial taxes, insurance premiums and other necessary payments would be paid on time.
7. Casa Canada Group will check, the property on a schedule approved by the client, ensuring that repairs and maintenance that are the tenant's responsibility are carried out in a satisfactory manner. It will also ensure that the building and grounds are being well maintained.
8. Repairs and maintenance that are the client's responsibility will be carried out to the financial limit approved by the client. For amounts above this level quotations will be requested for the work needed, and forwarded to the client for approval.

9. Once approved by the client, a professional firm would be hired to carry out repairs and maintenance that are the client's responsibility. Casa Canada Group will ensure the work is completed in a satisfactory manner, and see to it that the contractor is paid for services as agreed.
10. Should a tenant not pay rent and care for the property as agreed, Casa Canada will take legal action for their eviction and will find a new tenant.
11. Such legal remedies as the client wished to take against an evicted tenant will be overseen on behalf of the client.

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REAL ESTATE SALES AND RENTALS

Finding the right rental home or apartment can be difficult. Recognizing the need for assistance in this area, Casa Canada Group created a database of available properties for sale or rent in its real estate division. The real estate department is located in the Casa Canada Administración building, telephone 2222-1722.

The real estate division works with a network of proven professional real estate companies, agents and brokers in addition to its own sales staff. Once a client's requirements are known, properties meeting the client's criteria will be located and shown to the client. Casa Canada Group will also list properties for sale, advertising them in newspapers, on its real estate web site, in El Residente magazine, through the Association of Residents of Costa Rica and through an affiliated network of mortgage companies and brokers.

The ownership of real estate in Costa Rica is guaranteed by the constitution for both citizens and foreigners. Realtors do not need to be licensed, and trust accounts for deposits do not exist as known in North America. If you plan to purchase real estate be certain you have a reputable realtor and lawyer. Casa Canada Group and the Association of Residents of Costa Rica can assist with recommendations for both. Title insurance can be arranged through ARCR Administration S.A. with Stewart Title, and computer studies of land titles can be done in the Casa Canada offices.

Real estate can be a very good investment in Costa Rica, and by using the professional property management of Casa Canada Group rental and holding properties can be profitable. It must be stressed, however, that it is not like buying real estate in North America. It is essential that a good, honest realtor and a knowledgeable lawyer be involved in the transaction to ensure everything is as it appears to be, and that all agreements by the seller are met. Real estate scams operate in Costa Rica, and part of the services of Casa Canada Group is to help people avoid these pitfalls.

See the real estate section for details on common scams and things to be extra careful of in Costa Rica.

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TRAVEL

If you are planning to travel to Costa Rica, the Casa Canada Group can take care of all your travel arrangements, including international plane tickets, airport transfers, a hotel in the area and price range you prefer, tours and excursions, domestic transportation including flights, car rentals or car with driver as required. If you don't know the country the travel staff would be pleased to give you a list of options, and to recommend some of the many things that there are to see and do in Costa Rica. Ask for the travel desk in Casa Canada, 506-2257-6646.

Travel services also include external travel, cruises, flights, excursions, tours, adventure travel, travel insurance and other travel related items.

Travel specials are listed on the travel web site that can be accessed through the Casa Canada web site, or directly at www.123costaricatravel.com . For those interested, an email newsletter of travel specials is available. There is no charge for a subscription.

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APPENDIX 'A'

COSTA RICAN LAWS, RULES AND REGULATIONS

REAL ESTATE LAW

1. Fifty Meter Zone

The first 50 meters from high tide at the beach is public property. No permanent structure may be placed on this land, however it can be landscaped and temporary structures can be erected, for example in front of a hotel. There are no private beaches in Costa Rica - the 50-meter area is open for anyone to use and there are no possession rights in this zone.

2. Municipal lease land - 150-meter zone

In the majority of the country, the next 150 meters from the 50-meter zone is regulated by the municipality, and can only be leased, never owned. For a foreigner to lease this land, a Costa Rican must show as owner of more than 50% of the company paying the lease. A foreigner cannot lease this land personally. A good lawyer can set up a company that will serve the investor's purpose, and meet the law.

There may be restrictions or zoning on the leased land - this will be published in the Plan Regulador of each municipality. Ensure you have a good lawyer check this before buying the rights to leased land. Leases are usually inexpensive, and the renewal is usually automatic provided the lessor keeps the lease in good standing. Lease rights can be bought and sold. The law of the Maritime-Terrestrial Zone covering the 200 meters above the high tide line was published in 1977.

Municipal lease land in the Maritime Zone is subject to the Forest Law. Development other than trails is not likely to be permitted on leased land that meets the definition of forest. Forest is defined as a native or indigenous ecosystem that occupies a surface of two or more hectares, characterized by the presence of mature trees of different ages, species and size, with one or more canopies that cover more than 70% of this surface, and where more than 60 trees more than 15 centimetres in diameter exist.

If the municipal or federal government want this land back, they must pay the lessee the value of the improvements on the land - they do not have to pay anything for the increase in the value of the right to lease. A third party designated by the court establishes the value of the improvements.

3. Frontiers

Only Costa Rican citizens can purchase land within two kilometres of the national frontiers.

4. Title

Most land in Costa Rica is titled. Good lawyers will check to ensure it has good title, or for a minimal fee it can be checked in the ARCR office where computers are connected to the land registry. Land that has not changed hands for many years may not be titled. If the title to the property is not registered, registration is difficult, complicated and expensive. The buyer may spend years in the court system sorting out other claims to the land.

If a piece of land is titled and registered for the first time (this includes a previous undivided interest registered as a separate parcel for the first time) claims may be made against the title for ten years. It is therefore dangerous to purchase or to accept as security land that has been registered for less than ten years. It is said that up to 125% of the surface area of Costa Rica is in the registry due to old, overlapping land titles.

The Central Registry for land in Costa Rica is computerized and similar to most places in North America. Top law firms and the Casa Canada Group have computers connected directly to the Central Registry and can search the title of land quickly from their offices. Registry of mortgages and liens are much the same as in North America. A buyer should insist on an Escritura showing title to the property, complete with registry stamps on it. Unscrupulous lawyers have been known to keep registration fees and not register the property transfer, leaving the vendor in a position to sell the land again.

Title insurance to guarantee the title of properties can be arranged with Stewart title at a special price through the Association of Residents of Costa Rica.

5. Deposits

Deposits are not common in Costa Rica. When a deposit is given to a lawyer or realtor, the money usually goes into his or her personal account, as trust accounts as known in North America do not exist. If the completion of the property purchase is to be on an agreed date in the future, an option can be taken which gives the vendor a sum of money for which he guarantees a right to purchase for a certain period of time.

6. Options and Contracts

Options to buy and sell properties are legal, but cannot be registered at the Registry of Properties as a real right affecting a property. It is possible that even if you have an option, a disreputable person could sell the land to someone else, leaving only the dysfunctional courts as recourse to recover the deposit. A legal guarantee called a Reserva de Prioridad can be registered against the property giving exclusive rights for a maximum of 30 days.

7. Property transfer

There is a tax of 1.5% of registered value for the transfer of property, plus legal and stamp fees of about 2.5% of the registered value of the property. When a property is purchased, unless specified otherwise, it is assumed the buyer and seller will split the cost of legal and transfer fees. If the purchase is cash, the purchaser has the right to choose the lawyer. If the vendor holds a mortgage on the property the vendor has the right to choose the lawyer.

8. Property tax

The municipality collects municipal government property tax. It is 0.25% of the registered value of the property. Houses with a registered value of less than ₡7,000,000 are exempt. There is also a local community government charge. This is based on the frontage of the property and varies in each area, but is not to be over \$10 per month per residence.

9. Leases and Rental of Property

Great care must be taken when leasing to others in Costa Rica, as it may not be legal to increase rents or to remove tenants from the property. A rental agreement can be either verbal or written. The property management division of Casa Canada Group can help you here.

Regardless of the term specified in residential or commercial lease agreements, the terms and conditions apply for a minimum of three years provided the tenant keeps to the terms of the agreement. If a rental agreement is for more than three years, the longer term applies. If you wish to legally lease for less than three years, contact Casa Canada management for options that can make this possible.

If rent is in a currency other than colones, it will not be possible to raise rents without the prior agreement of the tenant. No rent increases are permitted over the first three years. If rent is in colones it is possible to contract for an increase of 15% per year for residential property only.

Where there is no rental agreement, the landlord cannot evict the tenant from the property for three years and the rent cannot be increased for this period. The tenant is required to give three months notice to terminate the rental. A clause can be included in the contract that the deposit is forfeit if notice is not give. The tenant is obliged to leave the property in the same condition as when it was rented, normal wear and tear excepted.

If the landlord wants the rental property back it is necessary to notify the tenant in writing three months or more before the end of the term, otherwise the term is automatically renewed for another three years, or for the length of the original agreement if longer than three years. This law does not apply where the landlord resides in the same building with up to two rental units. In this case the tenant can be given thirty days notice to leave the premises.

The law allows the tenant to be late up to seven days with rent payments. After that the landlord has the right to apply to the court for an eviction order. If rent payments are continually accepted late, the tenant may have the right to continue to pay late. Once it is decided to seek the eviction of a tenant, rent payments should not be accepted as it could make them current and cancel the right to evict them. The eviction process in court can take years, and during this period, even though rentals are not paid, the landlord may not enter the property or disconnect essential services such as electricity and water.

If a tenant does not pay bills that are the tenant's responsibility it is possible to apply to the court to evict them. If the landlord pays such bills the cost of them can be deducted from a damage deposit at the end of the rental period. The tenant can be sued for any additional amounts outstanding. The tenant is responsible for all public services and utilities except for property taxes, which are the responsibility of the landlord.

Where a property is sold or transferred it does not change the tenant's rights. The new landlord must respect the existing contract.

Any improvements made to the property by a tenant automatically become the property of the landlord.

A tenant cannot change the original agreed upon use of a property, other than to put a small business into a residence. The primary purpose of the property must remain residential. A shop cannot become a bar for example. Tenants cannot sub-rent or lease a property unless the right to do so is specified in the lease.

When negotiating a rental contract, a landlord can request any guarantee deposit felt necessary.

10. Squatters

Squatter (precaristas in Spanish) are people who move onto a piece of property which they do not own, live there for a year or sometimes less and improve the property by working the land and/or constructing a dwelling, may establish a legal right to live there by "right of possession". Once acquired, this right of possession can be sold to others. If a large piece of property is purchased it is essential that a watchman be hired to report any squatters to the police before they become settled. An employee hired to guard a property cannot become a squatter, but an employment agreement with the security guard is a good idea.

11. Mortgage Financing

Mortgage financing from banks is slow and bureaucratic. It can take up to a year to get a mortgage approved, particularly with the state banks. Expect continual delays, requests for additional information over many months and very high “commissions” or legal fees from banks. Fees and commissions can be as high as 10% of the loan amount, so while low interest rates may be advertised, check carefully into the total package of costs. Private lenders can move more quickly, but the rates will be higher.

Mortgage documents are registered in the Central Registry much as in most countries. Do not expect to receive mortgage funds until the mortgage document is registered. This is to prevent a common fraud where as soon as the cheque is cashed an accomplice quickly registers a new mortgage on the property ahead of the one just granted. Mortgages can be for any term, interest rate, amortization period or payment amount agreed upon between the parties.

A different form of mortgage used in Costa Rica is the cédula hipotecaria. These consist of certificates registered against the property that can be in any denomination desired. A \$100,000 mortgage could have 10-\$10,000 certificates, 1-\$100,000 certificate, 100- \$1,000 certificates or any other combination desired. The advantage is that it is not necessary to pay full legal expenses to increase or renew a mortgage - the cédula hipotecaria remains in effect. When a mortgage is paid off the certificates are returned to the owner, who can leave them registered against the property until another mortgage loan is required. The number of certificates required for a new loan would then be given to the financial institution as their security. For advice on mortgages contact Casa Canada Group - there is no charge for advice.

Another form of property loan is through a trust. The property is put into trust at the time the loan is made, and an agreement drawn up as to the terms of the loan. When the loan is repaid, the property reverts to the original title.

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EMPLOYEE & LABOUR LAW

1. Social Security

All salaried employees must be registered with Social Security. The employer must pay 25% of the total salary amount, and an additional 9%, which is deducted from the employee. This covers the employee for medical care, hospitalisation, other medical costs and 3% of this amount is a contribution to a savings and pension fund.

2. Vacations

The law requires one day of vacation for every month of employment. A two-week vacation is due after fifty weeks of work. The employer can choose the time the vacations are taken and can require that half be taken at two different times, but they must be granted within 15 weeks of the time when they were due. Vacations cannot include weekends or paid holidays, they must be regular working days.

3. Holidays

Paid holidays are:

January 1	Thursday & Friday at Easter
April 11	May 1
July 25	August 15
September 15	December 25

Other holidays for which pay is not required for hourly employees are August 2 and October 12. Salaried employees are paid for these days whether they work on them or not. Employees who work on statutory holidays or Sundays are paid double time. The standard working week is 48 hours. Be aware that some holidays may be moved to the following Monday when they fall on Tuesday, Wednesday or Thursday.

4. Income tax - Personal

Income tax must be withheld from the employee and submitted to the government by the employer. There are no personal income tax forms for employees.

For details on the percentage of tax on various income amounts see “Personal Income Tax on Salary” in the Income Tax section. There is also an income tax table for self-employed individuals.

5. Insurance (Rieos de Trabajo)

Personal injury insurance (similar to workers’ compensation) must be carried to cover all employees. This policy must be purchased from INS, the Costa Rica government owned insurance institute. (Private insurance is not permitted in Costa Rica.) It works out to 2-3% of wages depending on the type of work.

6. Aguinaldo

This is the “13th month” of wages. Someone who has been employed for a year must receive a full month’s wages as a Christmas bonus between Dec 10 and 15 each year. If an employee has worked only part of a year, that percentage of the year is used to calculate the Christmas bonus due.

7. Termination

If an employee is dismissed without cause aguinaldo, vacation pay, notice and termination pay must be paid to them. If an employee is dismissed with cause or quits, aguinaldo and vacation pay must still be paid by the employer.

Preaviso (Advance Notice) The law requires 30 days advance notice to be given of impending termination. If no advance notice is given 30 days pay is due to the employee. If the required number of days of advance notice is given regular pay continues for 30 days, but the employee has the right of one paid day per week to look for another job. Exact calculation is according to the scale below.

Cesantia is severance pay. Maximum cesantia is 8 months.

	Months Worked	0-3	3-6	6-12	More than 1 year
Preaviso	(Days)	0	7	15	1 Month
Cesantia	(Days)	0	7	14	

Years Worked	Days Paid
1	19.50
2	20.00
3	20.50
4	21.00
5	21.24
6	21.50
7	22.00

When an employee quits or is fired with cause, preaviso and cesantia do not need to be paid.

When a company is sold, and the new owner keeps the staff, all benefits are paid to the new owner as if the staff had been laid off. The benefits are not paid to the employees at this time, as the new employer will have the responsibility of paying them in the future.

7. Minimum Wage

Effective January 1, 2011, monthly minimums (colones):

Unskilled workers	220,345
Semi-skilled workers	237,353
Skilled workers	249,725
Technicians	268,376
University Graduates	357,216
Employees with university degree	486,218

New minimum wage schedules are published by the government every 6 months, on January 1 and July 1. The full list is more comprehensive, including most occupational groupings.

8. Trial Period

There is an automatic trial period of three months, during which an employee can be released without the payment of notice and termination pay. After 3 months full separation settlement applies. The trial period for domestic help is one month.

9. Domestic Employees

There are some special provisions governing live in domestic employees. If an employer has a signed contract with a domestic employee offering less than the minimums proscribed by law, the contract is not valid.

A domestic employee's workday is 12 hours. Up to 16 hours is permitted, but double-time must be paid for the extra hours over 12 per day. One paid hour of rest, to coincide with a mealtime, is required. It is required that the employee be enrolled in the CCSS medical and pension system.

The employee has the right to half a day off per week and half a day off on official holidays. If they work pay must be at double time. 15 days of paid vacation each year is compulsory, and payment in lieu of vacation is not permitted. When the December aguinaldo payment is calculated the wage cost upon which aguinaldo is based must include the value of the food and lodging supplied as well as cash wages.

To dismiss a domestic employee, no notice is necessary if they worked for less than 30 days. Over 30 days requires 15 days notice. The cash equivalent of the notice period can be paid. For each week's notice half a day of paid time must be given to look for another job.

A female domestic employee who becomes pregnant is entitled to 1 month of paid leave before birth and 3 months afterwards. If an employee is dismissed because they are pregnant it is required that their wages be paid from the day of dismissal until the 8th month of pregnancy, then maternity benefits and damages for wrongful dismissal.

10. Benefits summary: Approximations on an annual basis assuming an employee is dismissed without cause. If an employee quits or is dismissed with cause eliminate Preavisa y Cesantia .

Caja Costarricense de Seguro Social	22.00%
Fondos de Capitalización & Pensiones	3.00%
Aguinaldo (Xmas bonus Dec 1 to Nov 30)	8.33%
Vacation pay (See paragraph 2)	4.61%
Dias Feriados (Long weekends with pay)	1.92%
Preaviso y Cesantia (Termination pay)	13.8%
Workman's Compensation insurance	2.00%

Cost of Benefits	55.66%
	=====

In addition to the above, the employee must pay 9% of their salary for Seguro Social. The other items are paid entirely by the employer.

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STATUTES OF LIMITATIONS

1. Cheques

It is a criminal offence if an NSF cheque is not paid within five days of the funds being demanded. It is also a criminal offence to stop payment on an issued cheque or to knowingly receive an NSF cheque. Post-dated cheques are also illegal, and if issued can be cashed at any time, without regard to the date on them.

Cheques are stale dated and the statute of limitations applies after 4 years.

2. Debts

Trade accounts or regular accounts receivable have a limitation of one year. If an account is approaching one year of age, it must be put into collection. Once the debtor is legally notified the debt is in collection the statute of limitations does not apply.

Debts arising from commercial written contracts with a specified time period have a statute of limitations of four years after the debt is due.

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INCOME TAX

1. Personal income tax on salary

No tax to 619,000 colones per month.
619,001 to 929,000 per month is taxed at 10%.
Over 929,000 per month the tax is 15%

Personal income tax forms are not filed for salaried or hourly employees. Tax is withheld from the employee and remitted by the company.

2. Self employed - Taxable income after all deductions

0 to 2,747,000	No tax
2,747,001 to 4,102,000	10% tax
4,102,001 to 6,843,000	15% tax
6,843,001 to 13,713,000	20% tax
13,713,001 and over	25% tax

3. Corporate income tax

In Costa Rica it is the amount of total revenues that determines the tax rate, not the amount of profit. The figures below are the total amount of revenues a company takes in. The tax amount is then applied to the net profit in the percentage shown.

ANNUAL REVENUE (colones)			
0	to	41,112,000	10% of net profit.
41,112,001	to	82,698,000	20% of net profit
82,698,001	and upward		30% of net profit

All year-ends are as of September 30. Tax reports must be filed and paid by December 15. In special cases permission may be obtained to change the date of the year-end of the company.

No tax is payable in Costa Rica on profits earned outside the country and then brought in. There are no capital gains taxes in Costa Rica.

4. Loss carry forward

Industrial companies can use a loss in one year against profits over the next 3 years and agricultural companies can carry a loss forward for 5 years. After this time, if the loss has not been used it is lost. For all other companies, if there is a loss in one year it cannot be used later. Preoperational expenses can be used over 5 years. Companies investing in mortgages, real estate, stocks and so on would not be permitted to carry losses forward.

5. Minimum capital

If the accumulated losses of a company exceed 50% of its paid up capital it can be placed into bankruptcy by a past due creditor by application to the court. Minimum capital for incorporation is ¢1,000 (\$1.72 at the time of writing). It is therefore suggested that where possible losses be carried forward as an asset in prepaid expenses until used in a future year.

6. Depreciation is permitted at the following rates:

Furniture & Fixtures	10%
Concrete buildings	2%
Wood Buildings	5.88%
Vehicles	10%
Goodwill - write off over 3 years	33 1/3%
Computers	20%
Computer software	100%

7. Corporate borrowing

a) Interest free loans

If an interest free loan is made to a company, either from inside or outside Costa Rica, 13.7% interest is deemed to have been paid to the lender who must then pay tax on this amount, however a contract can be written between the lender and the company receiving the loan in which the lender renounces the interest. For a lender resident outside of Costa Rica, the company would be liable for 15% withholding tax on the deemed interest amount if the interest were not formally renounced.

b) Shareholder's loans

Previously shareholder's loans were assumed to bear 12% interest, however the law has been changed to allow shareholder's loans to a company with no presumed interest.

c) Mortgage or other loans

If the lender is a corporation or individual not resident in Costa Rica, or an individual not registered with the income tax department in Costa Rica, there will be a withholding tax of 15% of the amount of the interest. This tax does not have to be paid if the lender is a corporation in Costa Rica, so for an investor it is usually better to incorporate a company where the tax would likely be 10% on income after deductions instead of 15% before deductions. The borrower is responsible to ensure that the 15% withholding tax is paid to the government - if the lender does not pay the borrower must pay. In the case of large external loans the contract will generally require that the borrower pay the withholding tax.

8. Payment of Shareholders by a company

Directors fees of up to \$US 1,000 per meeting are deductible by the company, but a 12.5% withholding tax must be paid by the director attending the meeting. Only directors attending meetings may be paid fees. Meetings may be held as often as desired, however minutes of each meeting must be kept in Spanish.

9. Dividends

Dividends between Costa Rican corporations are not taxable. There is a withholding tax of 16.5% on dividends payable by a company in Costa Rica if the shareholder receiving the dividends is not a Costa Rican corporation. Costa Rican corporations receive dividends from other Costa Rican corporations tax-free.

10. Tax Year

In Costa Rica the personal and corporate tax year ends September 30. Other tax year-ends can be used for corporations, but only with special permission. Forms must be filed and tax paid by December 15 for any tax year.

Tax forms do not have to be filed for inactive corporations or for corporations that did not commence activities prior to June 1 regardless of the date of incorporation. Corporations that commenced active business May 31 or before would be required to file on September 30 of their first year.

11. Education Stamp Tax

This tax is determined by the shareholders' equity. All amounts are shown in colones.

FROM	TO	TAX AMOUNT
0	250,000	750
250,001	1,000,000	3,000
1,000,001	2,000,000	6,000
2,000,001	Upward	9,000

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INSURANCE

1. INS

Most insurance in Costa Rica must be bought from the state owned insurance company, Instituto Nacional de Seguros (INS). INS handles most types of insurance. By joining the ARCR (Association of Residents of Costa Rica) substantial discounts can be obtained on medical insurance.

2. Vehicle Insurance

When the license plates are purchased a small amount of compulsory personal liability third party insurance is provided. This is paid when the plates are purchased or renewed. It is too low to be considered effective - supplementary insurance is highly recommended. Collision, fire, theft, personal liability and property damage coverage can be purchased from INS through the ARCR office. When receiving quotations on car insurance the normal term is six months. Once your car is insured, anyone with a valid license is permitted to drive it.

3. Householders' Theft Insurance

This insurance covers FORCIBLE ENTRY only. The annual premium depends upon the location and on the security of the insured premises. It is necessary to insure all items within the premises except cash, securities and jewellery, which cannot be insured. You cannot select to insure only the high-risk items.

4. Medical Insurance

INS (Instituto Nacional de Seguros) offers medical insurance. The group plan offered by the Association of Residents of Costa Rica would reduce the premium about 6%.

- It takes INS about three weeks to study applications for insurance. An applicant may not pay until accepted.
- The premium period is annual, on the calendar year. If the first year is not a calendar year the premium will be for the portion of the year insurance is in effect.
- Dental work, eyeglasses and cosmetic surgery are only paid if they are needed as the result of an accident.
- The plan does not cover pre-existing conditions, AIDS, VD, non-prescribed expenses, medical expenses resulting from cataclysmic events, injuries from fighting (except in self defence), injuries from tournament sports, martial arts, other dangerous activities or under the influence of alcohol or drugs, mental or nervous disorders, allergies, stress and plastic surgery.
- There is a 12-month moratorium on ailments such as glaucoma, cataracts, ENT, women's reproductive organs, breasts, asthma, hernias, pregnancy, prostates, stones and osteoporosis.
- Claims are based on a table rating types of treatment administered.
- Costs vary with age and sex; the policy is available up to age 100. Applicants over the age of 69 must undergo an examination by an INS doctor.
- 10% of the insured amount can be paid for outpatient services each year. The other 90% is for hospitalization, surgery, private room, ambulances, home care, therapy, prescriptions, etc.

- In case of death 50% of the insured amount is paid to the named beneficiary.
- The plan pays 75% of prescription drugs, examinations, doctor visits, hospitalisation and surgeons' fees. If generic medicine is available it pays 70% of patent medicine costs.
- The patient is free to choose the doctor.
- The patient must pay the bill then fill out a claim form with their main doctor's signature on it. In case of hospitalization only the 25% deductible need be paid PROVIDED preauthorization is received from INS a week before hospitalization. If not the full amount must be paid and a claim submitted.
- Sample annual premiums in colones for the year 2005 before ARCR discount.

Age	Men	Women	All
Minors to 18 years			152,000
19-25		490,000	
30-34	115,000		
45-49	232,000		
55-59		526,000	
60-64	466,000		
70-75	908,000	985,000	

CCSS plan (Caja Costarricense de Seguro Social)

This is the government medical plan that most Costa Ricans have. Payment for every employee is compulsory.

- The plan covers pre-existing conditions, doctor visits, prescription drugs, examinations, hospitalization, dental and eyes.
- There is no limit on annual amounts paid out by the plan.
- A doctor and clinic is assigned to the patient.
- The cost through the ARCR is very reasonable. For those under 55 there is a compulsory pension fund payment in the premium. Family includes spouse and dependants under the age of 18 years.

5. **Householders' Insurance**

In Costa Rica it is advisable to be insured for earthquake as well as fire, water damage and natural disaster. It is possible to insure the house, the house plus contents, or the contents alone.

There are four classes of coverage.

- 'A' covers fire and lightning.
- 'B' covers damage from riots, disturbances, hurricane, wind, explosion, smoke, falling objects, vehicles & resulting fire.
- 'C' covers floods and landslides,
- 'D' covers earthquakes, tremors and resulting fires. C & D are sold jointly. It is possible to purchase A alone, A + B, A + CD

6. Householders' Liability Insurance

As Costa Rica is not a litigious country, this coverage is not so important for the common householder as it would be in other countries, and the premiums are comparatively low. .

7. Electronic equipment insurance

This includes computers, faxes, telephone answering machines, photocopiers, cellular phones, etc. It covers damage caused by lightning, power surges and fire. If theft and all risks are to be included it is higher. Payment is based on straight-line depreciation over five years, so the policy is good only for newer items.

8. Life Insurance

Previously life insurance was available only in colones, and the devaluation factor made it impractical. INS now has a program of life insurance in dollars. The policy is part insurance, part savings and double indemnity for accidental death. The savings portion has a guaranteed interest percentage.

For further details or a quotation, contact the office of the Association of Residents of Costa Rica in Casa Canada.

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VEHICLES AND TRAFFIC LAW

1. Marchamo

This is the obligatory liability insurance carried on all vehicles in Costa Rica. It must be renewed annually between November 1 and December 31. A car without an insurance decal on the windshield is illegal after the 1st of January. When the marchamo is paid, it is necessary to pay any parking or traffic tickets that were issued against the car during the year and to prove that the vehicle inspection sticker is current. It can be done at the MOPT offices, or at a number of private locations including some private banks. The cost of the marchamo depends on the year, make and model of the car.

2. Vehicle Technical Inspection

Each vehicle must have a certificate in the car and a decal on the windshield that proves the vehicle inspection is current. Inspections are done at one of the many specially constructed locations around the country. They were built and are operated by a Spanish firm that won the contract to perform motor vehicle inspections.

The month of the inspection depends upon the last digit of the license plate. The vehicles are tested for exhaust emissions, brakes, lights, turn signals, windshield wipers and a list of other safely related features. Vehicles without a valid decal on the windshield and document in the car are subject to a fine if caught by the transit police. It is also not possible to get the next marchamo without proof that the inspection is current. There is a charge for the inspections.

Inspections are necessary each year on older vehicles, and every two years for newer vehicles.

4. License Plates

A car dealer will assist a purchaser to acquire the metal plates.

It is illegal to operate a motor vehicle without a valid cédula or passport (or a copy certified by a lawyer), a valid drivers license either Costa Rican or foreign, and the original of the paper license if metal plates are not on the car. A foreign driver's license is invalid for tourists if the length of stay permitted (usually 3 months) in the passport has been exceeded. It is possible for the transit police to impound the vehicle if any of the papers mentioned are not valid, or are not in the vehicle. With a rental car the rental agreement needs to be carried.

5. Traffic Offences

Traffic enforcement falls to the transit police. Most speed enforcement is done with a hand held radar gun from the side of the road. If you are exceeding the speed limit the officer will motion you to stop. He will request the paperwork mentioned previously and will usually show you the radar gun to confirm your speed.

If fines are paid before the end of the year when the marchamo is purchased it is necessary to pay at a specified bank in the national banking system. A service charge for receiving the fine payment will have to be paid in addition to the fine.

Speed limits are usually 80 KPH on major highways, and are 60 KPH at all intersections and in populated areas. School zones are usually 25 KPH when students are present and 40 KPH at other times.

Most transit police are very polite, and on many occasions if they feel the driver is a confused tourist, they may simply give a warning provided all papers are in order.

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BANKING

1. National Banks

The government owns these banks. Costa Rican laws governing banking secrecy apply to them. These were the only banks that were permitted under law to operate chequing and savings accounts in Costa Rica until 1996 when private banks were permitted to compete in this area.

Accounts can be operated in US dollars or colones.

The government of Costa Rica guarantees without limit all deposits in government owned banks of the National Banking System of Costa Rica.

The national banks can be slow and bureaucratic, but are trying to become more competitive. If you need to open an account, it is wise to go with a friend who has an account already in the bank you wish to deal with - it will speed the process considerably. The Association of Residents of Costa Rica can also assist in the establishment of a bank account. It usually requires \$US500 to open a chequing account. Savings accounts can require less money to open an account, but require personal attendance to do transactions - no cheques can be issued. They have no minimum balance for the account, and cheque and deposit charges are minimal. Most banks have cash machines and issue debit cards.

When making deposits consider the following.

Cheques from outside Costa Rica, including bank cashiers cheques and traveller's cheques, can require 45 working days before the funds will be usable after they are deposited. Cheques issued on these funds prior to that date would be returned, "Funds not available". Talk to the Casa Canada Group about speeding out of country cheque processing - it can be reduced to about 8 days. Foreign currencies, other than US dollars or Euros, will likely not be accepted for deposit except at some banks operating foreign exchange facilities. Postal money orders are not accepted in Costa Rica.

Cheques issued on Costa Rican banks and deposited at a different bank will be cleared overnight. Funds from cheques deposited in the same bank are generally available immediately.

Bank wire transfers are available as soon as they arrive. If you are expecting a wire transfer, allow 4-5 working days from the date of transfer then start asking the "transferencias" department of the bank to which funds are being transferred if your funds have arrived. If you are not diligent, the bank may not deposit the funds in your account for some time.

Expect a service charge of \$10-22 to receive wire transfers. Casa Canada has negotiated a special arrangement with Banco Nacional to accept wire transfers.

To enable the use of some cashiers cheques and traveller's cheques right away, the bank will charge a commission.

Mortgages and loans from Costa Rican Banks take a very long time for approval. The procedure can take many months. After waiting months it is not unusual to be turned down for any one of a number of reasons, or to be told statements and other documents are out of date and must be updated.

The State Commercial Banks are:

Banco Nacional de Costa Rica

Banco de Costa Rica

Banco Credito Agricola de Cartago

Banco Popular - Formed under a special agreement by the Costa Rican Government.

2. Private Banks

Private Banks offer full service banking, including foreign exchange, loans, transfers, letters of credit, mortgages and collections. Service charges for account operation at private banks can be higher than at the national banks when the minimum deposit balance is not maintained. The deposit required to open a chequing account varies, but is usually around \$100.

There is no guarantee against loss of deposits in private banks should the bank fail or be closed by the Superintendent of Financial Entities.

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LEGAL AND GOVERNMENTAL SYSTEM

1. Based on the French Civil code, not the English legal system.
2. **Government of Costa Rica has 4 branches.**
 - a) Judicial
 - b) Executive - President and cabinet ministers
 - c) Legislative - Elected members
 - d) Electoral Tribunal - takes over police and all government functions dealing with elections before each election. Members are usually unpaid volunteers who are judges. This is to ensure all elections are completely democratic and free.
3. The government ministers are not chosen from elected members, but are appointed by the president.
4. **There are 3 levels of courts.**
 - a) District Courts
 - b) Appellate Courts
 - c) Supreme Court
5. **The Supreme Court** has 4 chambers.
 - a) Commercial and civil law
 - b) Administrative and labour law
 - c) Criminal law
 - d) Constitutional law. This is called "Sala Cuarta".

Challenges of legislation on the grounds of constitutional law are common and often successful. Disputes over environmental issues, property rights, business rights and any other issues involving constitutional rights would be heard by Sala Cuarta.

6. All lawyers must be members of the “Colegio de Abogados”, or bar association. Notaries, who are empowered to take affidavits and dispositions, plus witness and certify the validity of documents, must be lawyers as well as being notaries. They must be registered with the Dirección Nacional de Notaridado, a part of the court system.

7. **Rights against a lawyer**

While Costa Rica has many good lawyers, there are also dishonest lawyers in the system. If a lawyer cheats you you do have some recourse. Complaints against a lawyer who has violated the code of ethics of the Colegio de Abogados can be filed with the Colegio. The inspectors' office will then investigate the complaint and may call a conciliation meeting to see if settlement can be made. If no settlement is made, the Board of Directors will study the case, and if it finds fault they will hand down appropriate sanctions.

Complaints against a notary must be filed with the notary directorate of the court, after which a more extensive investigation will take place. If it is found the complaint has merit there will be a court case, which is handled like a criminal case with prosecutors from the notary court. The complainant then becomes a civil party to the action as well as victim. If the notary is found guilty compensatory and punitive damages are awarded. There is a fund into which all notaries pay to supply them with a fidelity bond. The fund will only pay up to the amount the notary has paid in, however, so a new lawyer may have very little available. If funds are paid out on behalf of a notary, the notary is suspended until the funds are replaced.

In 1998 the regulations were change to prohibit notaries from putting a “hold harmless” clause into a contract, and contracts with that clause in it no longer protect the notary. The statute of limitations to prosecute a notary is two years.

Before hiring a lawyer consult with Casa Canada, ARCR or other reputable sources with considerable legal experience in Costa Rica. Choose your lawyer with great care, generally choosing a specialist in the area where you need legal assistance.

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SALES TAX

1. Sales tax is 13% of goods or services. Professional fees to doctors, lawyers, dentists and other independent professionals are exempt.
2. In restaurants the bill will be 23% more than the menu price. The 13% sales tax is charged, plus a tip of 10%. If you have particularly good service a little extra can be left, but remember that the tip is included in the price of the meal.
3. The sales tax on airline tickets is 5%.
4. The sales tax on hotel rooms is 13%, plus a tourist tax of 3.9%, for a total of 16.9%.

WITHHOLDING TAXES

1. These are payable at source in Costa Rica on earnings by non-residents of Costa Rica.
2. Categories:
 - a) **Dividends** - 15%. May be partially exempt if the dividend is taxable in the country of residence. They are not taxable to Costa Rican corporations.
 - b) **Interest income** - 13.75%. Not applicable to banks or financial institutions recognized by the Central Bank of Costa Rica as it is included in the interest rate offered, or to suppliers of merchandise. It is not taxable to Costa Rican Corporations. The borrower is responsible to ensure withholding tax is paid where required.
 - c) **Royalties, patents, trademarks, franchises** - 25%
 - d) **Technical services & management fees** - 25%
 - e) **Transportation & communication services** - 8.5%

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DEMOGRAPHICS (From the year 2000 census)

1. Costa Rica has a young population, indicating a growing productive work force and consumer group.

Age (Years)	Population %
0 - 14	34.8
15 - 29	27.3
30 - 44	20.9
45 and over	17.0

2. 45.4% of Costa Ricans have a telephone. Almost all others have access to a public telephone within a reasonable distance of their residence.
3. Costa Rica has an area of 19,730 square miles.
4. The population of Costa Rica is 3,810,000 according to the 2000 census.

51% live in the greater San José area of the Central Valley.
 75% live in the provinces of San José, Alajuela, Heredia and Cartago.
 25% live in the provinces of Puntarenas, Guanacaste and Limón

	Population (2000 census)	AREA (Sq. Kms)
COSTA RICA	3 810 179	51.100
1. SAN JOSE	1 345 750	4965.90
2. ALAJUELA	716 286	9757.53
3. CARTAGO	432 395	3124.67
4. HEREDIA	354 732	2656.98
5. GUANACASTE	264 238	10140.71
6. PUNTARENAS	357 483	11265.69
7. LIMON	339 295	9188.52

5. Radio and TV are commercially owned in Costa Rica. 87% of the population, or a market of 2.9 million, are reached by radio and TV.
6. The three major daily Spanish language newspapers are La Nacion, La Republica and La Prensa Libre, plus many other smaller Spanish language newspapers and magazines. The main weekly English language newspaper is Tico Times. Costa Rica Aectual is a German weekly. There are also English language magazines.

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