

# COSTA RICA

## MEMBER FIRM

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## BASIC FACTS

Full name:	Republic of Costa Rica
Capital:	San José
Main languages:	Spanish, Mekatelyu, Bribri, Patois
Population:	4,586,353 (2011 census)
Major religion:	Christianity
Monetary unit:	Costa Rican Colón (CRC)
Internet domain:	.cr
Int. dialling code:	+506

## KEY TAX POINTS

### A. TAXES PAYABLE

#### COMPANY TAX

Costa Rica's income tax law affects annual revenue from business activities conducted in Costa Rica when any of the causes of such revenue occur within the national territory

Based on the gross income of the period, the taxpayer must select the percentage of tax to be applied to the total net income in the table below.

	Year 2017	Rate (Applies to total net income)
Gross revenue up to	¢52.634.000	10%
Gross revenue up to	¢105.872.000	20%
Gross income of more than	¢105.872.000	30%

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In Costa Rica, the fiscal year start on October 1 and ends at September 30 of each year, but the subsidiaries of foreign companies can change the fiscal year to the calendar year at the Dirección General de Tributación Directa after their first year of operations.

Also, the companies have to make partial payments of the income tax throughout the year.

## CAPITAL GAINS TAX

In Costa Rica we don't have this tax with two exceptions:

- a) If it is not considered a regular activity of the company; for example on the cases of sale of land deemed taxable only if it is the usual activity of the company. If so, then the gain must be reported as income and pay tax according to the previous frame.
- b) When the company sell a depreciable asset: if a building has been subject to depreciation every year is sold, then consider a taxable gain is the difference between the historical value and the sale price.

## BRANCH PROFITS TAX

In Costa Rica the branches of foreign companies are subject to the same tax rate according to the previous frame

## SALES TAX / VALUE ADDED TAX

In Costa Rica we have the sales tax but not the value added tax. Our sales tax goes to services and goods established by law that has to pay 13%, this percentage is charged to the final consumer of the goods or services. This sales tax has to be paid by month

## FRINGE BENEFITS TAX

All the salaries, commissions, bonus and fringe benefits received forthe employee has to pay taxes in Costa Rica according with this:

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	2017	Rate
Up to	₡792.000	Exent
Gross revenue up	₡792.000 to ₡1.188.000	10%
Gross income of more than	₡1.188.000	15%

## LOCAL TAXES

Costa Rica's income taxes affects the whole national territory equally.

## OTHER TAXES

- Municipal Office Taxes: Taxes are paid according to a table and total assets of the company but are the local government (Municipalidades) who impose the payment depending on several factors.
- Corporation Tax: All the mercantile companies has to pay in January this tax. At this time, this tax was declared unconstitutional because the Legislative Assembly not meet the law procedural when approved. The government has a current bill trying to reply this tax.
- Social Security Tax: These payments that are made monthly by employees and employees on the payroll of companies for the purpose of guaranteeing the functioning of the worker social security system and retirement benefits at the national level
- Consumption tax: imposed on the import or domestic manufacture of the goods. The rates are variable and selective, affecting only certain types of goods.

## B. DETERMINATION OF TAXABLE INCOME

### CAPITAL ALLOWANCES

In Costa Rica we don't have for the time been capital allowances.

### DEPRECIATION

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According with Dirección General de Tributación Directa's regulation

## STOCK/INVENTORY

In Costa Rica is not taxable

## CAPITAL GAINS AND LOSSES

In Costa Rica is not taxable

## DIVIDENDS

In Costa Rica is not taxable for corporations.

## INTEREST DEDUCTIONS

If a loan made to a Costa Rican company by a foreign bank the rate are of 15% for the total payment. If the foreign bank becomes register by the Consejo Nacional de Supervisión del Sistema Financiero has to pay 5.5% only at 2015, at 2016 has to pay 9%, at 2017 has to pay 13% and after this year, has to pay 15%.

## LOSSES

Losses incurred in any given year can be taken as a valid deduction only for the current year. There is no carry forward of losses.

## FOREIGN SOURCED INCOME

In Costa Rica is not taxable

## INCENTIVES

Companies operating in a Free Zone enjoy a number of exemptions which are valued according to the conditions of each company that wants to be at these zones.

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## C. CORPORATE GROUPS

Have to pay according with the law.

## E. RELATED PARTY TRANSACTIONS

Those transactions have to be duly formalized according with the circumstances.

## F. EXCHANGE CONTROL

In Costa Rica the Banco Central follows relation between dollars and national currency floating at the market.

## G. PERSONAL INCOME TAX

All the salaries, commissions, bonus and fringe benefits received for the employee has to pay taxes in Costa Rica according with this:

	2017	Rate
Up to	¢792.000	Exent
Gross revenue up	¢792.000 to ¢1.188.000	10%
Gross income of more than	¢1.188.000	15%

## H. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Costa Rica has Free Commerce Treaty with the USA, Central America and the Dominican Republic

## I. AGREEMENTS TO AVOID DOUBLE TAXATION APROOVED

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At this time, Costa Rica has many agreements with several countries in order to avoid double taxation, but only are approved for our Legislative Assembly with:

- Spain
- Alemania

## **J. TAX PACKAGE SUBMITTED TO THE LEGISLATIVE ASSEMBLY**

Costa Rica government are working with National Congress trying to change the sales taxes that will be converted into VAT taxes. At the same time, are trying to modification another taxes, looking for additional income. Is important to be clear that the National Congress in general don't are agree, because they are pushing in order to arrives, at first, in a clear political government looking to decrease salaries expenses and another fringe benefits to governmental employees.