

## TAXES IN COSTA RICA

### 1. TAXES

#### **Taxpayers:**

Individuals or corporations, public or private, engaged in the country's profit-driven business activities, regardless the nationality, residence or the location where the corporation, board meetings or contracts were established (Article 2, Law number 7092, April 21<sup>st</sup>, 1988).

#### 1.1. Taxes

There are these taxes:

##### 1.1.1 Taxes

#### **Tax kinds, rates and special contributions**

1. Radioelectric Spectrum Reserve canon
2. FONATEL fiscal special contribution
3. Departure tax
4. Automotive, Aircrafts and boats' ownership tax
5. Casinos and gambling halls tax
6. Snuff products tax "NEW"
7. Non-domiciled Banks and financial institutions special tax
8. Alcoholic beverages consumption specific tax
9. Packaged non-alcoholic beverages and toilet soap specific tax
10. General Sales tax
  
11. Excise tax (Consumption selective tax)
12. Real Estate transfer tax
13. Income tax – Profit tax
14. Income tax – Partial payments
15. Income tax – Deductions at source
16. Automotive, aircrafts and boats' transfer tax
17. Income and investment fund capital gains tax
18. Solidarity tax – Luxury homes
19. Fuel single tax
20. Education and culture stamp
21. Corporation tax

**NOTE:**

Our tax system is territorial type, non global, which means only revenues produced in Costa Rica will be subject to income tax payment. Therefore, if you do business outside Costa Rica, you may legally register a corporation in Costa Rica and not pay tax in Costa Rica on that income produced out of Costa Rica.

**Capital gains are not taxed in Costa Rica:** it is defined as gain Capital obtained under the transfer of movable and immovable property, that the income of these persons do not constitute a habitual activity.

## **2. INCOME TAX**

### **2.1 Obligated Subject**

This tax applies on the profit generated by any income-driven activity or business, held by individuals or corporations in the country during the fiscal year.

### **2.2 Taxpayers**

They pay this tax, the natural or legal persons, public or private, engaged in the country's business activities or profit-driven, regardless of nationality, residence and the place of incorporation of legal entities or meeting of their boards or the conclusion of contracts (Article 2 of Law No. 7092 of April 21, 1988).

### **2.3 Fiscal Period**

The tax period is one year. It begins on October 1<sup>st</sup> of one year and ends on September 30<sup>th</sup> of the next. There are also other tax periods, which may be authorized depending on the activity of the taxpayer. The dates for submission of declarations vary for different fiscal periods.

Dates for presentation of the declaration and payment of the tax: The declaration and tax payment must be made within two months and fifteen days after the end of the fiscal period. If the tax is the regular period (October 1 of one year to September 30 of the next), the period runs from October 1<sup>st</sup> through December 15<sup>th</sup>.

### **2.4 Fee-rate. Tax calculation**

#### **Tax Computation**

##### **1. Net Income (net taxable income)**

It is determined by subtracting from the gross income or total income, the total costs,

expenses and deductions useful, relevant and necessary to produce income or profit and that are allowed by law.

### 1) RATES OF INCOME TAX FOR CORPORATIONS

<b>From October 2015 through September 2016</b>		
Segments		Rate
Until	¢ 52.320.000	10%
Until	¢ 105.241.000	20%
More than	¢ 105.241.000	30%
<u>These sections vary as of 1 October 2016.</u>		

### 2) INCOME TAXES OF INDIVIDUALS WITH GAINFUL ACTIVITIES

		Rate
<b>Amount of</b>		
<u>NET INCOME</u>		
<b>Until</b>	<b>¢ 3.496.000</b>	<b>exento</b>
<u>ON THE EXCESS OF</u>		
<b>¢ 3.496.000</b>	<b>until ¢ 5.220.000</b>	<b>10%</b>
<u>ON THE EXCESS OF</u>		
<b>¢ 5.220.000</b>	<b>until ¢ 8.708.000</b>	<b>15%</b>
<u>ON THE EXCESS OF</u>		
<b>¢ 8.708.000</b>	<b>until ¢ 17.451.000</b>	<b>20%</b>
<b>More than</b>		
<b>¢ 17.451.000</b>		<b>25%</b>
<b>NOTE: EXCESS MEANS THE AMOUNT BETWEEN THE SECTIONS.</b>		
<u>These sections vary as of 1 October 2016.</u>		

### 3) TAX RATES INDIVIDUAL INCOME WAGE EARNERS

WAGE SCALE				RATE
FROM	UNTIL		¢787.000,00	0%
MORE THAN	¢787.000,00	UNTIL	¢1.181.000,0	10%
MORE THAN	¢1.181.000,0			15%

### 4) FAMILY CREDIT MONTHLY

	Period 2013	Period 2014	Period 2015	Period 2016
Por cada hijo	¢1.340 mensual ¢16.080 anual	¢1.410 mensual ¢16.920 anual	¢1.490 mensual ¢17.880 anual	¢1.480 mensual ¢17.760 anual
Por el cónyuge	¢2.000 mensual ¢24.000 anual	¢2.110 mensual ¢25.320 anual	¢2.230 mensual ¢26.760 anual	¢2.210 mensual ¢26.520 anual

## 2.5 Statements, tax payments

### 2.5.1 Statements

The income tax is determined annually, quarterly payments are made on account of the same coefficient determined based on the **sworn tax declaration** of the three fiscal years prior periods.

**Fiscal year comprise from October 1<sup>st</sup> of one year to September 30<sup>th</sup> of the next.**

The power of the Tax Administration to review **sworn tax statements** prescribes after four years. The limitation period begins to run from January 1<sup>st</sup> of the year following the date that is the deadline for submission of the respective annual sworn statement. Most tax debt will be subject to penalties and interest.

### 2.5.2 Payments

The tax must be paid within two and a half months after the end of the fiscal year, and the estimated quarterly payments according to the schedule published by the Tax Administration.

### **2.5.3 Tax filings**

“Form D-101 "Affidavit of Income Tax" This form is available only in digital. They are required to file this return, both tax payers and declarants.

According to Resolution No. DGT-R-029-2011, published in La Gaceta No. 185 of 27 September 2011, from the period 2011, filing date of the declaration and payment of the tax due on Dec. 15<sup>th</sup>, all taxpayers of income tax are required to use the aid program **ATV**, as a means of compliance with this tax liability, except taxpayers required to file their returns and Tribunet Digital Taxation, as well as taxpayers registered in the simplified tax regime. **ATV** is a software tool that facilitates filling of tax returns.

### **2.6 Dividends or profits distributed**

Dividends are a manifestation of incomes affecting the disposable income by a tax rate of (15%). With the exception of a 5% that applies when dividends on shares are issued and acquired in the stock exchange. The tax base on which to apply the withholding tax is income after payment of ordinary income tax, to which must be added other incomes, taxable or exempt

### **2.7 Capital Gains**

The tax system in Costa Rica is different from anywhere in the world. With areas like capital gains taxes entirely exempt. If you purchase a real state or personal property in Costa Rica, and then decide to sell, you should not pay taxes on the gains.

### 3. Tax treaties to avoid double taxation

We present details of agreements that the country has till 2015.

Estado Contratante	Estado	Entrada en Vigencia
Argentina	<a href="#">Aprobado por AL (Ley 9007)</a>	12/07/2012
Canadá	<a href="#">Aprobado por AL (Ley 9045)</a>	14/08/2012
El Salvador	<a href="#">Aprobado por AL (Ley 8880)</a>	31/10/2012
España	<a href="#">Aprobado por AL (Ley 8888)</a>	01/01/2011
Estados Unidos	<a href="#">Aprobado por AL (Ley 7194)</a>	12/02/1991
Finlandia	<a href="#">Aprobado por AL (Ley 9197)</a>	01/01/2015
Francia	<a href="#">Aprobado por AL (Ley 9012)</a>	14/12/2011
Guatemala	<a href="#">Aprobado por AL (Ley 8880)</a>	11/02/2011
Holanda	<a href="#">Aprobado por AL (Ley 9040)</a>	01/07/2012
Honduras	<a href="#">Aprobado por AL (Ley 8880)</a>	25/04/2006
México	<a href="#">Aprobado por AL (Ley 9033)</a>	26/06/2012
Nicaragua	<a href="#">Aprobado por AL (Ley 8880)</a>	09/07/2011
Noruega	<a href="#">Aprobado por AL (Ley 9201)</a>	13/04/2014
Suecia	<a href="#">Aprobado por AL (Ley 9203)</a>	08/08/2015
Convención sobre asistencia Mutua en Materia fiscal	<a href="#">Aprobado por AL (Ley 9118)</a>	28/01/2013

## 4. VALUE ADDED TAX-GENERAL SALES TAX (I.V.A.)

### **\*\* Note : Most of the services in Costa Rica Do not pay Sales Taxes**

The general sales tax is a tax levied added value in the sale of goods and the provision of certain services specifically mentioned in Law No. 6826 of November 8, 1982, as amended.

#### 4.1 Taxpayers

- Natural or legal persons, in law or in fact, public or private, who sell or provide services on a regular basis.
- People of any nature, which made imports or goods imports (Article 13 of the Law of General Sales Tax).

**Note: All exporters, taxpayers of this tax or not, are required to file.**

#### Obligations of taxpayers and declarants:

- Extend invoices or equivalent documents, duly authorized by the tax Administration, on sales of goods or services provided.
- Keep and maintain a record of purchases and other sales.
- Taxpayers must maintain in a conspicuous place of their commercial establishments the certificate of registration issued by the Tax Administration. In case of loss, damage or irregularities of this document, the taxpayer should call immediately for a replacement to the tax authorities.

#### Important Notes

- See new list of goods exempt decree N ° 37,132 published in the Official Gaceta paper No. 96 of 18 May 2012 No. 65 Digital Scope
- From 1 June 2012 onwards, are mandatory electronic services **TRIBUTACIÓN DIRECT@** for filing correct realizable tax forms by taxpayers and General Sales Tax filers, in addition to using the [program help ATV](#). These services are available through the website of the Tax administration @: [www.hacienda.go.cr](http://www.hacienda.go.cr)

#### 4.2 Determination of tax or credit balance

#### TAX COMPUTATION

The amount of tax is determined by applying the 13% on the net price of the sale, including the selective consumption tax (when the goods includes this kind of tax), then subtract the sales tax paid on purchases and withholdings by prepayments (credit or debit card companies

as Fiscal Contingency Act) in cases where appropriate. The resulting amount is the tax payable.

The tax should be charged to People, activities or business when:

- a) When buying on the sale of goods at the time of billing or delivery of them in the act that takes place earlier.
- b) The importer or imports of goods at the time of acceptance of the policy or the customs form, as appropriate.
- c) The client in the provision of services at the time of billing or service provided in the act that takes place earlier.
- d) The taxpayer in the use or consumption of goods on the date on which those products leave the company.
- e) The purchaser or consignee on consignment sales and goods provided at the time the merchandise is secluded, as applicable.

#### **4.3 Services are taxed (Article 1 of the Law)**

- a) Restaurants
- b) Pubs and bar
- c) Strip clubs, social, recreation and the like.
- d) Hotels, motels, inns, and hostels, temporary or not.
- e) Repair and painting of all types of vehicles.
- f) Repair and refurbishment of all types of goods.
- g) Parking lots.
- h) Telephone services, cable, television, pagers, paging and similar.
- i) Photo developing service and prints, including photocopies.
- j) Warehousing service and other non-financial services provided by bonded warehouses tax warehouses, the latter under the conditions laid down in Article 145 of the Customs Law No. 7557 of 20 October 1995.
- k) Laundry services and ironing clothing of all kinds.
- l) Public Shows, except sporting, theaters and cinemas, only, when exhibit films for children.
- m) Advertising services provided over radio, press and television, radio stations and rural newspapers are exempt.



- n) Transmission of television, cable, satellite or other similar systems and recording videos and tracks and their lease.
- o) Customs agencies.
- p) Service real estate brokerage.
- q) International Removal Services.
- r) Premium insurance, except those relating to personal insurance, labor risks, crops and social housing.
- s) Services provided by printers and lithographs. Exceptions are the National Press, the printing and lithographs of public universities, the Ministry of Education, as well as printing and lithographs of the Technological Institute of Costa Rica and the Editorial Costa Rica, respectively. The foregoing is without prejudice to the exceptions contained in Article 9 of the Law of General Sales Tax, number 6826, to November 10, 1982, and 7874 in the Act of April 23, 1999.
- t) Wash, Wax plus cleaning and maintenance of vehicles.

#### Exemptions (Article 9 of the Law)

#### **4.4 Rate**

The stated rate is 13%.

#### **4.5 Declarations and payments**

##### 4.5.1 Statements

The tax is paid and declared monthly.

##### 4.5.2 Payments

Monthly payments are made according to the schedule established by the Tax Administration.

## SOCIAL SECURITY

### 5.1 Institution responsible for the provision of services.

The Social Security Fund is the leading institution in public health services in Costa Rica (CCSS) is the institution responsible for granting social security benefits to insured workers.

### 5.2 Branches assurance.

The branches of insurance are: sickness and maternity; invalidity, old age and death, risks of work.

### 5.3 Working Fees - Employer Fees

<b>LIST OF SOCIAL SECURITY CHARGES 2016</b>		
(NO AGRICULTURAL ACTIVITY INCLUDED)	EMPLOYER'S CONTRIBUTION	WORKERS CONTRIBUTION
Social Security Fees	5,00%	
POPULAR BANK	0,25%	1,00%
National Training Institute	1,50%	
SOCIAL SUPPORT INSTITUTE	0,50%	
Old Age, Disability and Death	5,08%	2,84%
HEALTH-DISEASE AND MATERNITY	9,25%	5,50%
POPULAR BANK FUND	0,25%	
COMPLEMENTARY PENSION	1,50%	
JOB TRAINING FUND	3,00%	
<b>TOTAL</b>	<b>26.33%</b>	<b>9.34%</b>