How to do business in Costa Rica?
Investor's guide 2018
Our purpose
Make an impact that matters
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Our aspiration
To be the undisputed global leader in professional services
A country of opportunities

What are the general conditions of the Costa Rican economy that can lead to investment and business decision in the country? This document seeks to offer a view of the Costa Rican situation to guide foreign investors in their activities.

The Investor’s Guide [Guía del Inversionista] offers a general overview of Costa Rica, based on economic projections for 2018, including the country’s main features such as geography, history, population, language, natural resources, institutions, economic overview and the government system. It also covers regulatory matters of law and taxes related to foreign investment.

With this informational tool, Deloitte offers a helping hand to our foreign clients, and we are more than willing to expand it with our services in auditing, taxes, legal advice, immigration, financial affairs, consulting and project development, according to more specific needs. Costa Rica is a land of opportunities for the local and international markets and it would be an honor for us to assist you.

Alan Saborío
Managing Partner
Deloitte Costa Rica
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Costa Rica

*top of the class*
Costa Rica is a country that could teach others about social progress
(La Nación, Costa Rica, December 3rd, 2017)

Costa Rica is the most competitive nation of Central America: WEF
(Forbes, Mexico, September 17th, 2017)

Tourism revenues maintain sustained growth
(La Nación, Costa Rica, July 17th, 2017)

Chile and Costa Rica, the most innovative Latin American countries
(EFE, June 15th 2017)

Six Latin American countries among the most competitive of the world in tourism
(BBC, April 10th, 2017)

Why Costa Rica remains the happiest country of Latin America?
(CNN, March 20th, 2017)

Towards the 100% renewable country
(El Mundo, September 18th, 2016)

Costa Rica, the most efficient country in transforming its production into social progress
(El Financiero, Costa Rica, July 5th, 2016)
(World Bank, 2013)

In the quality of the Costa Rican educational system ranks #1 in Latin America
(WEF 2012-2013)

Costa Rica is the safest country in Latin America
(Latin Business Chronicle, 2012)

In the quality of labor relations (cooperation employer-employee) in Latin America
(WEF 2012-2013)

Country for future FDI in Central America and the Caribbean
(Financial Times: FDI Intelligence, 2013)

Outsourcing city of Latin America
(San Jose) (Tholons, 2013)

Place in the availability of scientists and engineers in Latin America
(WEF 2012-2013)

Costa Rica ranks first in the Global Innovation Index in Latin America
(INSEAD, 2013)

Costa Rica ranks first in Latin America
(Social Progress Index 2014 Report)
Introduction

Costa Rica is a country known internationally for having one of the first and most politically stable democracies in the Americas. This provides a unique base for a solid investment environment compared to other Latin American countries. This peaceful country is committed to the preservation of its natural resources, with special attention to its biodiversity. These privileged conditions are connected to the country’s geographic location, the soil quality, the climate and, most importantly, its people.

Geographically, Costa Rica is the second smallest Central American republic with an area of 51,100 square kilometers. The country is bordered to the north by Nicaragua, to the east by Panama and to the northeast and west by the Caribbean Sea and the Pacific Ocean, respectively.

Along the country’s northwest to southwest axis lie three volcanic mountain ranges, reaching an altitude of nearly 3,800 meters above sea level. Eighteen main rivers provide abundant hydroelectric power, with approximately 1,600 kilometers of waterways on the surface. The rather uniform Caribbean coastline extends 212 kilometers, contrasting with the Pacific coastline which is almost five times longer.

Costa Rica was visited in 1502 by the Italian-born conqueror Christopher Columbus during his fourth and last voyage to the New World, and thereafter became a Spanish colony. The country became independent from the Spanish dominion on September 15, 1821. The current Political Constitution dates back to 1949, which reflects a strong level of political stability in the country to date, in contrast to most countries in the region. The Political Constitution protects the freedom of speech, religion, and mobility, as well as the inviolability of human life and the right to private property.
No army
since 1949

During the 19th century, there was significant investment in and production of agricultural products, especially coffee and bananas. This led to an economy based on the exportation of these products to the international market. Such were more developed in Costa Rica than in other countries in the region. In order to further push exports, by the early 1900’s the first railroad system was built, connecting the Caribbean port of Puerto Limón to the capital San José, located in the country’s Central Valley. The development of the agricultural industry triggered considerable labor reforms in the country.

In 1948 a short civil war led to the promotion of reforms to national economic and political structures. A new system in the public and private sectors helped to coordinate efforts to achieve sustainable development in Costa Rica. In addition to and as a result of this revolution, the army was abolished, thus strengthening the country’s democratic tradition. To date, no other national armed conflict has disturbed the political stability of the country.

On the other hand, during the decade of the 1980’s Central America was embroiled in armed conflicts which ended with the signing of the Peace Accord of Esquipulas II. Costa Rica, represented by former President Oscar Arias Sánchez, played a central role as mediator by virtue of its neutral standing and its long peaceful tradition. As a result, the Nobel Peace Prize was granted to President Oscar Arias in 1989. Such acknowledgment has strengthened Costa Rica’s democratic image and, as a consequence, increased foreign investment and tourism.

Medical Services
Costa Rica offers excellent and low-cost medical services in both its public and private institutions. This has created a significant immigration flow from both Central America and the rest of the World for medical treatment. There are specialists in almost all medical sciences, most of whom have specialized abroad and many of whom are bilingual. The National Hospital System has private and public facilities countrywide including hospitals, public clinics (some of which are called EBAIS), and private clinics.

The high level of quality in medical services has come to strengthen a growing industry of medical tourism, allowing foreign nationals to combine a vacation and medical treatments. Many buy packages for a wide range of services, from plastic surgery to ophthalmological and dental treatments at very competitive prices. All employees, independent workers, and their dependents are covered by the Costa Rican Social Security System which is a public health service managed by the institution named “Caja Costarricense del Seguro Social” or CCSS. Tourists and foreign individuals may also use such medical services at a reasonable cost.
Education
The educational system has built a 95.2% literacy rate, and the labor force is one of the most important resources of the country. The population is well educated and healthy, and Costa Ricans enjoy a higher per capita income in comparison to other Latin American countries. Living conditions range from good to optimal. There are nearly no racial or religious conflicts and there is a political interest in the protection of human rights. The Government and the Costa Ricans provide a cordial welcome to visitors and to foreign investment.

Excellent private and public schools open their doors to foreign students wishing to study in their mother language, especially English, French, and German. The school year starts in March and ends in November. Nevertheless, some schools follow the United States calendar system. There are approximately 70 educational centers, including public and private universities and other centers for higher education.

7.36% GDP
Education

Public universities include the Universidad de Costa Rica (UCR), Universidad Nacional de Costa Rica (UNA), Instituto Tecnológico de Costa Rica (ITCR) and Universidad Estatal a Distancia (UNED).

Private Universities include Universidad Autónoma de Centroamérica (UACA), Universidad Latina de Costa Rica, Universidad Internacional de las Américas (UIA), Instituto Centroamericano de Administración de Empresas (INCAE), Centro para la Investigación y Educación en Agronomía Tropical (CATIE), Escuela Centroamericana de Ganadería (ECAG), Escuela de Agricultura de la Región Trópical Húmeda (EARTH), Universidad Latinoamericana de Ciencia y Tecnología (ULACIT) and Universidad Hispanoamericana.

Costa Rica has 218 technical high schools with 101,912 students learning 55 different technical specialties. There are 57 private and 5 public universities with more than 240,000 enrolled students.

Professional Level of Costa Ricans According to Transnational Companies
A study prepared by Deloitte at the request of CINDE (Costa Rican Investment Promotion Agency) surveyed transnational companies located in Costa Rica. The companies surveyed were part of the service, medical, and electronic device manufacturing sectors. According to the results of the survey, the companies described the academic and attitude-related elements of Costa Rican employees as follows:
• High schooling levels
• High talent and creativity at problem-solving
• Enjoy challenges
• Fast learning (effective learning curve)
• High English proficiency
• Committed and responsible
Climate
Costa Rica has a tropical climate. Its position between two oceans, accompanied with a complex mountain system, yields a wide diversity of habitats. A regular climate prevails year-round, although average temperatures vary from 14°C to 22°C in the Central Valley and from 22°C to 28°C in the other areas. There are only two weather seasons, including a dry season (from December through April) and a rainy season (from May through November).

Due to abundant micro-climates, there are over twelve ecosystems in the country, according to Holdriesch’s scale. Such abundance has placed Costa Rica among the countries with the richest diversity in flora and fauna worldwide. The climate and the vegetation provide Costa Rica with a pleasant atmosphere and numerous options for recreational tourism.
Transportation
Given its geographic position, Costa Rica may be easily accessed by land, sea, and air. There are over 7,000 kilometers (4,400 miles) of roads and highways and 16,000 kilometers (9,600 miles) of rural roads throughout the country. Juan Santamaria Airport has signed agreements with seventeen international passenger airlines and five cargo airlines. The Daniel Oduber Quirós airport is located in Guanacaste; it currently receives international flights since its main activity is tourism. In addition, there are approximately 130 airfields, of which over 100 are private.

Puerto Limón is the largest port and mobilizes close to 80% of all cargo operations (imports and exports) including in-bulk cargo, containers, fresh fruit exports and imports of crude oil. In the Pacific, Puntarenas has a new pier designed for cruise ships. All docks offer sufficient capacity to load and unload cargo containers with access to 24 shipping companies and 115 shipping agencies.

In terms of public transportation, there are many taxicab companies in the country whose vehicles are easily identifiable by their red color and yellow taxi license permits on both sides of the vehicles. Some orange taxicabs provide services to and from the Juan Santamaria airport. There are bus services that connect cities and provinces, as well as international bus lines that connect to major cities in other countries. In addition, railroad services in the metropolitan area have recently been successfully reinstated between important urban centers such as Heredia, San Jose and Cartago. To improve access to the northern region of Guanacaste, and thereby to some of the most visited beaches in the country, a modern bridge over the Tempisque River was built. As an additional option, a ferry departs Puntarenas multiple times per day, crossing the Gulf of Nicoya and providing transportation to and from the Nicoya Peninsula.

Communications
In September 2017, the Office of the Superintendent of Telecommunications (SUTEL, for its acronym in Spanish) found that there is effective competition in 4 out of the 11 markets of telecommunications of Costa Rica; thereby the regulator intervention is not necessary anymore, from the economic perspective. Services like international telephony, fixed Internet, international roaming and telecommunications transit were declared in competition. In mobile telephony, which is still economically regulated, four companies operate: Telefónica, América Móvil and the state-owned Costa Rican Institute of Electricity (ICE, for its acronym in Spanish). This allowed Costa Rica, as of 2015 (in the last report), to reach more than 150% of mobile penetration, 65% of prepaid mobile Internet penetration and 21% post-paid. The country moved from 90 mobile lines per 100 inhabitants in 2011 to 156 in 2015. Since 2011, Costa Rica is the Latin American leader in mobile Internet, representing 89% of the connections. There is still growth potential in fixed Internet services, as the Internet service in homes was around 40% by 2015. Services like fiber to the home (FTTH), 4G LTE net, data centers and cloud services, mobile application development and software as a service will be the next hot markets in the field of telecommunications.

Three major newspapers are available daily in Costa Rica (La Nación, La República and La Extra) and English-language publications are available (such as the Tico Times). There is also a weekly newspaper that caters to the business-oriented population (El Financiero). Additionally, there are several magazines that cover a wide range of general matters, as well as the economy and business. There is also an efficient postal service and a number of international courier services. Cable and satellite television are accessible in Spanish and English, with certain channel options in other languages.
**Government**

Since its independence in 1821, Costa Rica has enjoyed a democratic government system based on free elections and the participation of multiple political parties.

In the 1949 Political Constitution, Costa Rica was declared a democratic republic. This brought on many changes, including the abolition of the army (the social order is safeguarded by the police force), the nationalized banking system, the creation of the Electoral Tribunal, and the formation of State-owned companies to decentralize some governmental functions such as insurance services, transportation, and health. The Constitution also has many social, political, and legal guarantees such as human rights, equality under the law (discouraging gender, ethnic and/or religious discrimination), freedom of speech, a free press, and freedom of religion, as well as other civil and political rights. All of these rights protect both Costa Rican and foreign residents.

The current political system is represented through the Executive, Legislative, and Judicial Branches. The three branches operate independently from each other, evidencing an organization and functionality similar to the most mature democracies in the world.

Costa Rica will have new authorities in the executive branch starting in May 2018.

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**The Legislative Branch (Congress)**

This branch is comprised of 57 Deputies or representatives who are elected through popular vote for a period of four years. Said Deputies are responsible for the preparation and approval of the laws.

**The Executive Branch**

This branch includes the President of the Republic, two Vice-presidents and a cabinet comprised of 21 Ministers. The President is elected by popular vote in national elections every four years. Per constitutional disposition, the President cannot be reelected for consecutive terms.

The Executive Branch works through 21 Ministry Offices, including the Ministry of Economy, Industries and Commerce, the Ministry of Foreign Affairs, the Ministry of Agriculture and Livestock, and the Ministry of Tourism. Other important entities that work together with the Government to deal with economic and related matters are the Office of Foreign Trade Promotion of Costa Rica (PROCOMER), the Costa Rica Investment Promotion Agency (CINDE) and the University of Costa Rica’s Institute for the Investigation of Economic Sciences (IICE).

**The Judicial Branch**

The Supreme Court of Justice is the main judicial body, and it is divided into four Chambers and several tribunals specialized by legal field. The Constitutional Court, one of the Supreme Court’s Chambers, oversees the constitutional control through Administrative or Private Consultation. This Court deals with various matters, including claims involving "Amparo" (dealing with fundamental rights), Habeas Corpus (to have a summary procedure for the protection of unlawfully apprehended persons and physical integrity) and Unconstitutional Actions (to review the legality of norms according to the rules set forth by the Political Constitution).

**Supreme Tribunal of Elections**

In addition to the aforementioned Branches, there is an independent Supreme Tribunal of Elections. This Tribunal is responsible for the organization, supervision, and direction, every four years, of the national elections whereby the President, the Deputies and the Municipal Representatives are elected by the popular vote. This Tribunal also organizes referendum procedures and is responsible for the Registry of Persons (or Civil Registry).
Banking System

The Costa Rican Banking System is comprised of the Banco Central de Costa Rica (Costa Rican Central Bank); four public banks, of which three are State-owned (Banco Nacional de Costa Rica, Banco de Costa Rica, and Banco Crédito Agrícola de Cartago); and 11 private banks.

The Costa Rican Central Bank was established in 1950 as an autonomous entity responsible for developing national monetary policies and issuing currency.

In September of 1996, a new law allowed private banks to offer banking account services and abolished the old restrictions that limited the activities of private banks. This law opened the door to competition among private and public banking institutions. The Organic Law of the Central Bank defines the typical and usual responsibilities of such banking institutions.

State Banks

The three State-owned Banks are public, autonomous corporations, administratively independent but subject to governmental regulations. They are managed by a Board of Directors whose members are appointed by the Government for a term of eight years. These Banks are allowed to open branches within the national territory and/or abroad.

Private Banks

These banks may operate as corporations ("Sociedad Anónima") or as federations of cooperatives, and are supervised by the Superintendent General's Office of Financial Entities (SUGEF). These are also governed by a Board of Directors whose members are appointed through their General Shareholders Meeting. In order to offer new services to the public, most private banks have branches throughout the most important population centers and areas of economic activity.

During the last 12 years the banking system in Costa Rica has experienced an important dynamic regarding the acquisition of regional and local banks by large international banking institutions. For example, the Bank of Nova Scotia acquired the operations of Citibank of Costa Rica; the HSBC was bought by the Colombian Davivienda and, in 2010, the financial conglomerate Grupo Aval from Colombia acquired BAC Credomatic, with operations in Central America.

Upon the implementation of The Organic Law of the Central Bank (1996), State and private banks may offer the following services:

- Loans to the general public.
- Checking and savings accounts in the local currency (Colons) and in US Dollars.
- Financial support to productive activities.
- Commercial credits, jointly with the Central Bank.
- Acceptance of fixed terms for interest on certificates of deposit.
- Financial support to importers and exporters.

Foreign Banking

Until 2008, foreign banking was subject to a highly advantageous special tax regime. Thanks to this system, financial entities not domiciled in the country but belonging to a financial group (as defined by the Charter Law of the Central Bank of Costa Rica), or linked to a bank domiciled in Costa Rica (whether classified as first order financial entities by the Central Bank or as entities which normally perform international operations) were authorized to pay a special tax for the sum of US$125,000 and thereafter be relieved of the need to make remittances on interest payments, commissions, and other rubrics of a financial nature performed abroad.

The Integral Reform to Law No. 8634, “Law for the Banking System for Development and Reform of Other Laws”, in force since its publication in the Gazette on November 26, 2014, introduced a substantial modification to Article 59 of the Income Tax Law, which regulates tariffs for taxes on foreign remittances. Specifically, it introduces a reform to the treatment applying to interest, commissions and other rubrics of a financial nature paid in favor of natural or legal persons not residing in Costa Rica, so modifying the previous regime and establishing scaled and differentiated tariffs (of between 5.5% and 15%) depending on the type of payment being made, and eliminating at the same time the previous disposition regarding a single tax for the sum of US$125,000.
Economy

**Currency**
The Central Bank of Costa Rica issues the Costa Rican currency, the Costa Rican Colon. In 2015, the change was made from an exchange system based on margins or bands to a managed floating exchange rate regime, which has been in force since February 2, 2015.

An inflation-targeting framework, widely used in central banks worldwide, was adopted in 2018. With this decision, the Central Bank of Costa Rica (BCCR, for its acronym in Spanish) tried to give a message of commitment with the economic stability and inflation control.

**Chief Economic Indicators**
Central Bank estimates that in 2018 inflation will be close to 3%, with the possibility of being one percentage point up or down. Further deterioration would affect domestic interest rates, credit to the private sector and investment. Hence the relevance of the commitment with inflation target by the Central Bank.

Interest rates will continue growing during 2018, following 2017 trend, in Costa Rican Colones as well as in USD Dollars. The main pressure to the increase of the rates is the country’s fiscal situation, moreover the behavior of the Federal Reserve of the United States.

Bank credit, which is evidence of the dynamics of the economic activity, would grow 13% in CRC Colones this 2018 and 1% in USD Dollars. Economy would grow 3.6% in 2018 and 3.9% in 2019. Domestic spending will be the main driving force of the country’s growth. From the reading of the Monetary Program issued in January 2018, economists consider there will be exchange stability, however it must be considered that in May it will be changes in the Central Bank, given that the executive president will be appointed by the new government.

The following information summarizes the behavior of the economic activity in Costa Rica, based on 2017 data.
Graphic participation in economic activity
Percentage of gross domestic product (GDP)

Source: Central Bank
The following is the trend observed in recent years

**Graphic dynamism of the production**
Inter-annual variation of the Gross Domestic Product (GDP)

**Figures in percentages**

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>2015</td>
<td>4.0%</td>
</tr>
<tr>
<td>2016</td>
<td>3.9%</td>
</tr>
<tr>
<td>2017</td>
<td>3.2%</td>
</tr>
<tr>
<td>2018</td>
<td>3.6%</td>
</tr>
<tr>
<td>2019</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

Note: Data from 2015-2016 come from the volume cycle trends series, to chained last year prices. 2017 preliminary data and 2018-2019 projections.

Source: Statistics of Central Bank 2018-2019

Fiscal deficit is the main macroeconomic difficulty that Costa Rica faces; it is projected in 7.1% of the GDP for 2018. There is a tax reform project that would produce resources to reduce the deficit in nearly 2% of the GDP. Central Bank strongly warned about this fiscal situation. Risk assessment companies have also warned about it, given that this imbalance in public finances could cause an increase in interest rates, an increase in the risk perceptions, squeezing of the credit to the private sector, reduction in the profitability of investment in physical and human capital, discouragement of capital inflows for foreign investments and upward pressures on inflation.

**Graphic deficit fiscal is sharp**
Current Account Deficit (GDP)

Prime rate is around 4.5% of the GDP the first months of 2018. A year before it was 3.75%. After the announcement of the inflation-targeting framework, the Central Bank announced an increase in its monetary policy rate, passing from 4.7% to 5%.

During the first two months of 2018 the dollar exchange rate was ¢572 on sales and ¢566 on purchases.

Note: 2018 and 2019 are projections | Source: Ministry of Finance and Central Bank’s Macroeconomic program 2018-2019
This year’s and 2019 economic projections made by Central Bank are as follows:

### Table monetary program

**Main data**

<table>
<thead>
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<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
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<tbody>
<tr>
<td><strong>GDP (billions of ¢)</strong></td>
<td>32,669</td>
<td>34,991</td>
<td>37,608</td>
</tr>
<tr>
<td><strong>Growth rate (%)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real GDP</td>
<td>3.2</td>
<td>3.6</td>
<td>3.9</td>
</tr>
<tr>
<td>Real Gross National Disposable Income</td>
<td>2.2</td>
<td>3.2</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>Unemployment rate</strong></td>
<td>9.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Inflation (inter-annual target)</strong></td>
<td></td>
<td>2.6</td>
<td>3% (±1 p.p.)</td>
</tr>
<tr>
<td>Variation of the CPI</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance of Payments (% GDP)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current account</td>
<td>-3.1</td>
<td>-3.3</td>
<td>-3.1</td>
</tr>
<tr>
<td>Trade account (% GDP)</td>
<td>-9.0</td>
<td>-9.2</td>
<td>-9.5</td>
</tr>
<tr>
<td>Financial account</td>
<td>-2.3</td>
<td>-5.2</td>
<td>-3.2</td>
</tr>
<tr>
<td>Direct Investment</td>
<td>-5.0</td>
<td>-5.0</td>
<td>-5.1</td>
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<tr>
<td>Balance NIR (% GDP)</td>
<td>12.4</td>
<td>13.8</td>
<td>13.6</td>
</tr>
<tr>
<td><strong>Global Reduced Public Sector (% GDP)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Result</td>
<td>-5.6</td>
<td>-6.6</td>
<td>-7.4</td>
</tr>
<tr>
<td>Central Government</td>
<td>-6.2</td>
<td>-7.1</td>
<td>-7.9</td>
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<tr>
<td>Rest NFPS</td>
<td>1.0</td>
<td>0.9</td>
<td>0.9</td>
</tr>
<tr>
<td>CBCR (BCCR)</td>
<td>-0.4</td>
<td>-0.4</td>
<td>-0.4</td>
</tr>
<tr>
<td><strong>Central Government Debt (% GDP)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liquidity</td>
<td>9.0</td>
<td>9.7</td>
<td>8.7</td>
</tr>
<tr>
<td>Total financial wealth</td>
<td>12.4</td>
<td>12.4</td>
<td>13.1</td>
</tr>
<tr>
<td>Private sector credits</td>
<td>7.0</td>
<td>6.9</td>
<td>8.2</td>
</tr>
<tr>
<td>National currency</td>
<td>11.8</td>
<td>10.9</td>
<td>12.7</td>
</tr>
<tr>
<td>Foreing currency</td>
<td>0.5</td>
<td>1.0</td>
<td>1.0</td>
</tr>
</tbody>
</table>

1. To third quarter 2017, according to Continuous Employment Survey.
4. Valuation of foreign currency does not consider exchange effect.


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**External sector**

According to the Office of Foreign Trade Promotion of Costa Rica (PROCOMER, for its acronym in Spanish), Costa Rica exported US$11,115,963 million and imports registered were of US$16,501,550 million.

In 2017, according to the main destination regions, exports were sent to North America (45%), Central America (22%), European Union (20%), Asia (5%).

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**Employment**

During 2017 the average real wage of the formal sector had a variation of 1.6% with respect to the previous year. In 2016, the average real wage had grown by almost 4%. In 2016, inflation in Costa Rica was 0.77% and in 2017 it was 2.57%.

According to the Continuous Employment Survey [Encuesta Continua de Empleo], compiled by National Institute of Statistics and Censuses (INEC, for its acronym in Spanish), for the fourth quarter of 2017 the country had an Economically Active Population (EAP) of 2.2 million people. The employed population is estimated in 2 million people and 204 thousand were unemployed. Unemployment rate registered was of 9.3%.
Exports of Costa Rica in 2017, by market

- Central America: 22%
- North America: 45%
- South America: 2%
- Asia: 5%
- Caribbean: 4%
- Middle East: 0%
- Others: 0%
- Rest of Europe: 1%
- European Union: 20%
Costa Rica imports from North America (47%), Asia (22%), European Union (10%), Central America (7%), South America (7%).
Forming a Company in Costa Rica

About Companies: types, characteristics and practical data for their formation, and similar legal structures.

The Costa Rican Code of Commerce provides the general rules for the organization of the different type of companies and their commercial activities. There are, however, other laws governing specific business activities such as financial markets, insurance, warranties, retirement or pension funds, mutual savings, and economic regulations, among others.

The main difference among commercial organizations is in regard to their registration procedures and the financial liability of the parties involved. In principle, the financial obligation is limited to the amount of the capital contribution of the partners or stockholders, except when dealing with a corporation ("Sociedad Anónima" or S.A.).

When forming a Costa Rican company its bylaws must be drafted before a Public Notary and thereafter incorporated with the Mercantile Section at the National Registry. Once the incorporation process has been completed, the Public Registry will issue a corporate identification number ("cédula de persona jurídica" in Spanish), assigning a number which becomes evidence that the company is ready to lawfully start operations.

Types of companies commonly used in Costa Rica

Limited Liability Company
("Sociedad de Responsabilidad Limitada" or "SRL" in Spanish)

It is similar to a closed corporation where the liability of the partners is limited to the proportion of their contributions. A minimum of two partners are required (physical individuals or business entities) to initiate its incorporation and its legal standing is not altered in the event a single partner subsequently becomes the sole owner of the capital contribution.

Their capital is not represented in shares of stock but in quotas (or portion allotments) that cannot be sold to third parties if not previously offered to and approved by the rest of the partners. The company structure is not led by a board of directors but by one or more managers. SRLs are subject to tax limitations in that expenses for payment of interests to partners may not be deductible. It is also important to state that an SRL, for the purposes of US laws, may be rated as a transparent (or flow-through) entity. For this reason and given its relative simple formation requirements, this is one of the two most-preferred business entities in Costa Rica.
**Corporation ("Sociedad Anónima" or "S.A." in Spanish)**

This is the most widely used corporate structure when organizing businesses in Costa Rica. A Sociedad Anónima may be formed by other business entities or individuals or a mix thereof and may be eventually owned by one single individual or other business entity. In such event, the corporation’s legal status is not altered. The shareholders’ liability is limited to the amounts of their capital contributions except in those cases where the law states the possibility or the requirement of piercing the corporate veil.

A Sociedad Anónima may be formed privately or through public means, although the first option is usually preferred. A Sociedad Anónima must be formed before a notary public, by at least two physical individuals or two existing corporations, or a mix thereof. The resulting legally notarized document must be incorporated within the Mercantile Section of the Public Registry for recordkeeping purposes. An announcement thereof must be simultaneously published in the Official Gazette where the name of the company and the amount of the capital stock is disclosed. Company registration is subject to stamp taxes whose costs vary based on the amount of the capital stock.

An "S.A." must be managed by a board of directors comprised of at least three members (President, Secretary and Treasurer) and must be supervised by a statutory examiner called the "Fiscal"; these officers are appointed by the shareholders pursuant to an accumulative voting system.

There are no limitations for foreign nationals wishing to form these types of companies. In the event the company does not have a representative residing in Costa Rica, the appointment of a resident agent is then required. Such an agent is necessarily an attorney-at-law duly recorded and in good standing within the Costa Rican Bar Association.

**Incorporation Requirements**

**Company Articles of Incorporation**

The incorporation documents (corporate legal instrument) must provide detailed information about the company, its administrators and corporate structure, financial statements, and dissolution procedures. Any amendments thereto must be recorded with the Mercantile Section and the applicable notice thereof must be advertised in the Official Gazette ("La Gaceta"). Companies recorded in the Mercantile Section of the Public Registry are legal persons with the capability to act. Shareholders are legally entitled to review all corporate records, correspondence and other documents evidencing the status of the company’s management. Participation in the company’s dividends must be accessible to all shareholders.

**Required Elements**

**The Partners (or shareholders):** There must be at least two persons (physical or legal persons) in the formation of a commercial company. There are no limits for foreign nationals in this regard. Full names, ID number, citizenship, occupation, civil status, and addresses of those individuals forming the company are required, and these requirements also apply for legal persons.

**Company Name:** Comprised of one or more words, with or without a specific meaning, or expressed in foreign languages. Generic names or those already recorded for other companies will be rejected at the time of filing the incorporation papers, so for this reason a review must be performed before choosing the company name. The corporate name must be followed by the words "Sociedad Anónima" or "Sociedad de Responsabilidad Limitada" or by their abbreviations "S.A." or "S.R.L." as applicable, so that the nature of the business concern is easily identified.

**Domicile:** Costa Rican companies must have a legal domicile in Costa Rica, although this requirement is not meant to limit the possibility of opening additional branches or subsidiaries inside Costa Rica or abroad.

**Corporate Term:** The length of the corporate term is commonly between 50 and 99 years; undefined terms are prohibited by law. Corporate terms may be extended or reduced.
Corporate Purpose: The corporate purpose must be lawfully possible and its description need not be extremely detailed, since a general description of the activities to be performed will suffice for the purposes of the local registration. However, it is convenient to describe in detail the company’s possible activities and, additionally, to offer a general reference thereof. If the company is meant to become involved in banking, financial, fiduciary, or stock exchange activities, then such companies are bound by a different and specific set of rules.

Capital Stock: The amount and type of the capital stock and its payment conditions (there are no minimum or maximum limits, except in the case of SRLs, where the capital stock must be represented in multiples of 100). Corporations (or S.A.s) must be formed only through nominative shares of stock (preferred capital stock is also permitted although subject to the limitations, benefits, and rights agreed upon by the partners) which may be freely transferred. Nevertheless, stockholders may set up transferring limitations. Bearer shares are not legally allowed in Costa Rica. In the case of the SRLs the quotas (or participations) are only transferable through assignment and never by endorsement.

Board of Directors or Management Committee: It must be comprised of at least a president, a secretary and a treasurer. Additional members may be appointed at will. Board members may or may not be shareholders, and there are no citizenship restrictions in regard to this.

The president embodies the legal representation (full, unlimited general power of attorney) of the company. However, it is advisable to appoint other representatives with authority defined by the shareholders (full, unlimited general power of attorney or a simple general power of attorney, either limited or unlimited in regard to funds, etc.).

Members of the board of directors as well as their corporate authority are appointed at the incorporation meeting. Their appointments are for a term set forth in the incorporation instrument.

Decisions of the board of directors must be approved at the shareholders’ meeting which can be held locally or abroad as provided for in the incorporation instrument. On the other hand, as explained previously, the same basic rules would be required on the management committee and quota owners as applicable for SRL's.

Shareholders’ Meeting: These may be ordinary and/or extraordinary. Ordinary meetings must be held within a term of three months after to the closing of the business year. Ordinary meetings are designed for discussing, approving and/or rejecting the company’s financial statements, distributing dividends, granting or revoking powers of attorney or other appointments, and any other matters as set forth in the incorporation instrument.

Statutory Examiner: The appointment of a statutory examiner during the stockholders’ meetings is required pursuant to Costa Rican commercial law. The statutory examiner has no voting rights. Per legal provisions, the statutory examiner cannot be a company's employee or a close relative to any of its directors. There are no limitations for external auditors to be appointed in said position and, in fact, this practice is very common.

The statutory examiner’s functions are to ensure that the articles of incorporation as well as the norms and procedures set forth therein are complied with and, in addition, to protect the interests of the stockholders and of any other related parties.

The statutory examiner is committed to reviewing the financial statements of the company as submitted at the annual shareholders’ meeting.

The statutory examiner is entitled to attend the meetings of the board of directors in voice only, and to call for stockholders’ meetings when they are not called by the directors, as applicable.

In the event the statutory examiner does not comply with his or her obligations and the company becomes liable of fraudulent bankruptcy or of tax fraud, civil and criminal charges will be imposed upon said examiner.
Resident Agent: In the event that no legal representative is based within the Costa Rican territory, a resident agent must be appointed. The resident agent must be a practicing attorney-at-law licensed in Costa Rica. Said agent has informative, passive duties. Basically and in practice, the resident agent deals with matters addressed to the company.

Legal Reserve: In the case of SRLs, from the net profits of each business year, 5% must be accounted for and set aside towards the formation of a legal reserve. Such obligation will cease once the legal reserve reaches 10% of the company’s capital.

In regard to S.A.’s, from the net profits of each business year, 5% will be accounted for and set aside towards the formation of a legal reserve fund. Such obligation will end once the fund reaches 20% of the capital stock.

Rules for the dissolution and liquidation of the company: The Costa Rican Code of Commerce sets forth the reasons for the dissolution of a company, to wit: the expiration of the corporate term as defined in the incorporation documents; the inability to carry out the company’s corporate purpose, or the inability to comply with the corporate purpose; the definitive loss of 50% of the capital stock; or the final agreement to dissolve the company at a shareholders’ meeting. In the event any such circumstances arise, an extraordinary meeting of shareholders will be held with the purpose of deciding on the dissolution of the company and the appointment of a receiver. Thereafter, the required public instrument will be drafted and the cancellation of the Company’s registration before the Registry of Commercial Concerns and before the Tax Department will be submitted.

Legal Records: The Company must carry at least five legal record books: (i) the stockholders (or quota holders) meetings, (ii) shareholders’ (or Quota holders’) record book; (iii) Journal; (iv) Inventory Book and (v) Balance Book. In the case of S.A.’s, the Board of Directors’ minute book is also required.

Formalities: The incorporation instrument must be evidenced in writing before a notary public; thereafter legal notices of the incorporation must be published in the Official Gazette and the corporate articles filed before the National Registry. Applicable tax stamps must be settled therewith. The Registry will assign the company a corporate identity number (cédula jurídica in Spanish) and subsequently all corporate records will be authorized by tax authorities who will also provide the forms (D-140) for the company to become a taxpayer and recorded as such.

Financial Statements: All Costa Rican business concerns must prepare financial statements to be submitted to the annual meeting of stockholders. This meeting must legally be held within a term of three months following the end of the tax year. Financial statements must include the financial statement and information and documentation regarding income.

Tax Audit: Tax audits include a yearly report issued by the auditor in regard to the company’s financial statements, wherein it is declared that the company complies with applicable Costa Rican tax rules. Not all companies are subject to audit procedures on a daily basis.
Branch Offices of Foreign Companies
Foreign companies are allowed to open and/or transfer their operations to Costa Rica through branches, subsidiaries, and other applicable business structures, provided they comply with the applicable rules set forth in the local Code of Commerce. The Deloitte Legal Department is readily available to guide interested parties towards this end. In fact, many foreign companies operate in the country under such rules with highly successful results.

Franchises
Costa Ricans are known for the ease with which they adapt to other cultures and traditions. At present 267 brands operate in the country under the franchise model. Of these, 211 (79%) are international in origin with a local presence, and 56 (21%) belong to Costa Rican business people. Of the 56 local franchises existing in the country, 96% are classified as Small and Medium Businesses (PYMES according to the initials in Spanish) and 57% of these belong to the food industry. This industry provides around 27,634 direct jobs in the 1,900 registered establishments throughout the country, which represents 12% of formal employment in Costa Rica’s commercial sector. These businesses offer a wide range of products and services such as restaurants, vehicle rental agencies, dry-cleaners, stores, service stations and hotel chains, among others.

The trust
Costa Rican commercial entities and individuals have recently begun using trusts to manage their commercial (and personal) interests, in local or international environments, with great success. Its flexibility and numerous possibilities make it an ideal business vehicle in a wide array of commercial (and personal) relationships. In fact, it may be used for many business purposes meant to provide assurance and speed in day-to-day business transactions.

The Costa Rican Code of Commerce provides a detailed and a very comprehensive set of rules in regard to its formation, operation and termination. In order to help international investors understand Costa Rican rules about trusts and how they are structured, the Deloitte Tax and Legal Department is able to provide clients with more in-depth knowledge.
Real Estate

What investors need to know at the time of purchasing real estate

Real Estate Property Ownership
The Political Constitution protects private property, and foreign nationals enjoy the same rights as local citizens do in regard to the acquisition and ownership of real estate property (with the exception of concessions in the Maritime-Land Zone). There are few restrictions to private property, although it is worth mentioning the regulatory plans issued by the municipalities, the possibilities of expropriations that the State deems necessary, and the specific limitations on properties assigned to State programs or institutions. To become an owner of real estate property, information concerning the citizenship, resident status, or the permanence of the owner in the country is not required, and ownership by foreign individuals or entities are entitled to absolute rights to execute all legal acts and actions associated with proprietary, possession, and disposition rights.

Solidarity Tax
On December 10, 2008 the "Solidarity Tax for the Strengthening of Housing Programs Act" was published in the Official Gazette. It was implemented and in force on September 29, 2009 after the publication of the bylaws of Executive Decree 35515-H, and in effect for a period of 10 years thereafter.

The taxable event stated by the law is the ownership of houses registered for residential or leisure use, which exceed a total construction value of €100 million (US$169,491), by January first of each year. In addition, all fixed installations should be valued in order to determine the €100 million threshold. In the case of apartment buildings and condominiums, each unit must be valued separately, and common areas are added based on the appropriate proportion. Once the value of the construction has been determined and such value exceeds the €100 million threshold, the taxpayer must proceed with the necessary calculations for valuation where the building was constructed. Once both values have been established, the taxpayer must calculate the total tax amount for the payment in accordance with the progressive scale provisioned in the law.

Taxpayers of the Solidarity Tax shall declare the value of the property every three years from the time the law takes effect. In order to declare and pay this tax, the taxpayer must use the published manuals and guidelines to aid in determining the value of the assets. The tax should be paid within the first 15 days of the month of January of each year. Both the registration process and the filing and payment should be accomplished by electronic means, using the web page designated by the Tax Administration for such purposes.
Maritime Land Zone Concessions
Properties on locations facing maritime coasts, known as maritime-land zones, are owned by the State. However, said areas may be subject to concession rights for a limited, although extendable, period of time with prior request and compliance with a number of requirements. Land located in public zones are exempt from the concessions; these zones are comprised of the fifty (50) meter wide belt between the ordinary high tide line and those areas that become open or exposed during the low tide. The local governments or municipalities are the entities in charge of granting concessions around these areas.

Concessions granted on the maritime-land zones are subject to a royalty payment to the Municipality and to the Costa Rican Institute of Tourism, in addition to those charges to which common or regular properties are subject.

Concessions cannot be granted to (a) foreign nationals who have not resided in the country for a period of at least five years; (b) corporations (S.A.’s) with bearer shares; (c) corporations domiciled abroad; (d) entities formed in the country by foreign nationals; or (e) to those entities whose stock, capital quotas or capital stock are owned by foreign nationals in a proportion of over 50%. Additionally, only physical individuals and companies that are qualified to hold concession rights (see above) may participate in tourism developments on the maritime-land zone or in locations with access thereto. Similarly, foreign entities may participate therein provided they are tourism companies whose capital investment toward the development is owned by Costa Ricans in a proportion of over 50%.

Condominiums
There is a specific regulation in Costa Rica regarding properties under condominium arrangements. This regulation allows and governs the development of horizontal and vertical condominiums, lands, or buildings. Basically, property owned under condominium rules consists of a combination or a mix of the individual ownership of the units or filial lots or plots and the joint ownership of the common areas. In these arrangements ownership is subject to a number of restrictions regarding things like architectural features, use of the ground, etc.
Property Record Requirements
Costa Rican laws require all documents relative to the creation of liens or of property dispositions to be recorded at the Real Estate Property Department within the National Registry. This allows the general public to have access to any information on the properties, including areas, property lines, owners of record, liens, encumbrances, and other limitations.

Costa Rica offers a safe procedure to record the purchase of real estate property and, therefore, protects buyers from lawsuits or irregularities. This procedure is centralized at the National Registry where transfer deeds and plot plans of a property are recorded. Any amendments to the transfer deed or any claim that could arise thereafter must be annotated with the Real Estate Property Registry. Notwithstanding the above, there is also the possibility of insuring the property through private means.

People interested in buying properties must get professional assistance. This includes a previous research at the Property Registry Office to make sure there are no inconveniences on the property subject to negotiation. Once the terms of the negotiation are reached, the purchaser must make sure through their attorney and notary public that all required documents have been duly filed before the Real Estate Property Registry.

In general, the typical negotiation to purchasing real estate starts by executing a purchase option or a letter of intent, and accompanying this with a guarantee deposit payment that may be managed by a third party during the period of time agreed upon by the seller and the purchaser. During this period of time, the buyer will be able to verify the legal status and standing of the real estate property, such as its being up to date in regard to tax payments and any other in-depth information on the characteristics of the property. Thereafter, the property is transferred by means of execution of a sale purchase agreement that must be notarized before a Notary Public and subsequently recorded before the Real Estate Property Registry.

Once the sale purchase agreement has been executed, it is customary that seller and buyer equally share the transfer costs, mainly consisting of transfer taxes and stamp taxes. However, there is ample room for the parties to negotiate a different settlement thereof.

Real Estate Brokers
The Ministry of Economics grants licenses to real estate brokers who are duly backed by the Chamber of Real Estate Brokerage. This Chamber is dedicated to maintaining the rules of competition and professional ethics.
Immigration Regulations

How to establish and work in Costa Rica in accordance with the existing immigration rules

Entry Visa Categories
Four groups have been established for entry visas:

First Group
Foreign nationals of the countries placed in this group may enter Costa Rica without consular visas and will have the right to stay for a maximum term of 90 calendar days.

Third Group
Foreign nationals placed in this group must request a consular entry visa from the Costa Rican Consular Office abroad and will have the right to stay for a maximum term of 30 calendar days, unless they hold residence or a visa from certain regions determined by the Immigration Authorities. They do not need a consular entry visa if they comply with those specific rules.

Second Group
Foreign nationals from countries placed in this group may enter Costa Rica without consular visas and will have the right to stay for a maximum term of 30 calendar days.

Fourth Group
Foreign nationals placed in this group must request a restricted consular visa and a previous consultation from the Director General of The Immigration and Foreign Nationals Office. This type of visa may be requested from a Costa Rican consular office abroad or directly through a special agent (proxy) at the General Immigration and Foreign Nationals Office in Costa Rica. Foreign nationals in this group will have the right to stay for a maximum term of 30 calendar days, except in some particular cases.
Extensions of entry visas
Foreign nationals authorized to enter the country may request an extension, provided that the request is submitted prior to the termination of the original authorization and under the condition that all extension requirements set forth by the General Immigration and Foreign Nationals Office are duly complied with.

Residence Permits
Temporary Residence for Labor Purpose
Residence requests for individuals can be submitted to the Consular Office in the foreign country of origin, if available. However, representatives, managers, executives, and technical staff of companies based in Costa Rica can send a direct request to the local Immigration Authorities.

Temporary Residence under the Investor Status
The minimum amount of the investment is US$200,000 or its equivalent in other international exchange currencies accepted by the Central Bank of Costa Rica.

The investment can be made through real estate assets, shares, and productive projects of national interest, including an initial investment of US$100,000 in forest protection. Each case will be considered individually by the authorities.

Temporary Residence for Retired Individuals (Income through a pension)
To attain a legal residence permit under the retiree (pensioned) sub-category, the foreign nationals are required to provide evidence of their entitlement to monthly, life, permanent and stable pensions coming from abroad whose amount must not be under US$1,000 or its equivalent.

Temporary Residence as “Rentista (Income from Investments)
To attain a legal residence permit under this sub-category, the interested parties must provide evidence of their entitlement to monthly, permanent, irrevocable, and stable income for an amount of at least US$2,500. In the event the party wishes to request residence status for his/her dependents (spouse and children), the required monthly amount may be higher.

Permanent Residence
To attain permanent residency, the foreign national must prove that he/she has lived at least three years in a row under a temporary residence scheme or, otherwise, that there is a link with a Costa Rican citizen (through parents, children, spouses, or underage siblings). Other options are available to refugees under the international law rules applicable to Costa Rica.

Temporary Works Permit
These are temporary permits allowing people to enter Costa Rica and perform local services in a project that will last one year or less. Extensions are available for only one additional year. Individuals granted this permit are not considered Residents, and will not be able to receive salaries or remuneration within Costa Rican territory.

Formal Requirements
Although the formal requirements change according to the specific request set forth by the authorities, some of the standard requirements for the immigration applications are:
- Submission of the request from the interested party, addressed to the Immigration Authorities or the Costa Rican Consular Offices in the foreign country of origin.
- Birth certificate, criminal records, and marriage certificate (when applicable).
- Certified copies of the passport (including all pages).
- Passport-sized photographs.
- Registry of fingerprints (for all foreign nationals above 12 years old).

Important: Documents issued abroad must be duly authenticated by the corresponding Costa Rican Consular authority and when such documents are written in foreign languages (other than Spanish) they must be previously translated by an official translator. Likewise, it is important to stress that the term of validity of the documents issued abroad is for three months from the date of their issuance.
Registering a Company with the Immigration Office (Notice DG-1084-2008)
Companies may request their registration with the Immigration Office in order to speed up immigration procedures for their employees in Costa Rica. This acknowledgment allows their residence request to be handled directly from Costa Rica and with fewer formal requirements and time thresholds.

Some of the benefits of registration:
- Priority for the filing of the requests;
- Reduction of the response turnaround time; and
- Reduction of requirements.

Companies that opt for this registration must fit in one of the following categories:

**"A" Companies**
These are currently-operating companies that will start operating under special systems; such a system may managed by the Foreign Trade Ministry (COMEX) and the Office of Foreign Trade Promotion of Costa Rica (PROCOMER), with an aim towards active improvement and promoting exports.

**"B" Companies**
These are companies that are currently operating or that will start up operations outside of any special systems for the promotion of exports, but whose business nature continues to the exportation of goods and services from Costa Rica into the international market.

**"C" Companies**
These are companies that are currently operating or that will start up operations in the Costa Rican tourism market. Specifically, they must operate with the airlines registered with the Airlines Association, or they may operate in the areas of tourism lodging which have a "Tourism Declaration" with a classification of four stars and above, pursuant to Executive Decree number 25226 of March 15, 1996.

**"D" Companies**
These are companies that are currently operating or that will start up operations in the financial area in Costa Rica.
In order to be supervised, these companies should register with the Superintendence of Financial Entities (SUGEF), as entities in the banking sector and institutions that do not belong to the banking sector.
“E” Companies
These are companies that are currently operating or that will start up operations in the telecommunications area in Costa Rica. These should be supervised by or registered with the Office of the Superintendent of Telecommunications (SUTEL).

“F” Companies
These are multinational companies in the goods and services markets; they must have operations in more than 3 countries, and have decided to establish a subsidiary in Costa Rica.

“G” Companies
These are companies that are currently operating or that will start up operations in a public project promoted by the Public Administration in Costa Rica, as long as the project surpasses one calendar year.

Foreign Investment
Systems and incentives the country offers to investors: Free Trade Zone, Active Improvement, Tourism Incentives, etc.

Costa Rica is an active member of the World Trade Organization (WTO) and, as such, the accords issued by this organization and ratified by the Government prevail over national laws - except in the case of the Political Constitution - and may consequently be invoked directly before the courts. Costa Rica sees initiatives at a unilateral level as complementary, this is negotiated through preferential accords, in addition to the usual multilateral negotiation system. Internally, the Foreign Trade Ministry (COMEX, in Spanish) defines and directs the external commercial policy and that of foreign investment.
**Stability**

- Costa Rica ranks 1st in Latin America in Innovation - World Economic Forum, Global Competitiveness Report, 2012-2013
- There is no requirement to register investments with any of the government authorities.
- Costa Rica has achieved international standards for IPR protection.
- Army abolished in 1948.
- More than 120 years of democracy.

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**Situaciones de hecho**

- Currently, more than 250 multinational companies are operating in Costa Rica.
- Costa Rica has an exceptionally talented and young bilingual workforce. On average, 95% of the employees in multinational companies are local.
- There is a preferential access platform to 1/3 of the world’s population, and 2/3 of worldwide GDP. 87% of goods exports are through free trade agreements.
- Excellent business climate based on a renowned democratic tradition, allowing economic and political stability.
- Over 90% of the energy in Costa Rica is renewable; electricity costs are low and guaranteed.
- Quality of life in Costa Rica is high. It is the safest country in Latin America, and one of the top 5 environmental performers.

In May 2007, Costa Rica’s commercial policy was examined by the WTO. It concluded that Costa Rica predominantly formulates its policy at a national level but takes into consideration its participation in the Central American Common Market (CACM). The Costa Rican Foreign commerce policy seeks the promotion, the facilitation, and the consolidation of international insertion, with an aim towards enhancing the growth of the economy and, as a consequence, to improve the living conditions of Costa Ricans.

Likewise, Costa Rica maintains a policy to actively negotiate and implement preferential agreements. In addition to its participation in the CACM, Costa Rica has a series of free trade agreements in effect with Canada, the Caribbean countries, Chile, Mexico, China, The United States, Central America, The Dominican Republic, Peru, Singapore, and Panama.
Costa Rica's International Commercial Relationship

World Trade Organization

Costa Rica signed the GATT in 1990 and it is a founding member of the WTO. Costa Rica grants the Most Favored Nation (MFN) status to all its partners. The Marrakech Agreement of the WTO was ratified by the Legislative Assembly on December 26, 1994. Costa Rica has used the transition periods available to developing countries; currently, it is using the term extension until 2015 for the granting of subventions to exports as provided for in the Free Trade Zone programs and the Active Improvement System.

Free Trade Agreements Currently in Effect

Central American Common Markets

Since 1963, Costa Rica has formed part of the General Treaty for Central American Economic Integration which established the Central American Common Market (MCCA for its initials in Spanish). The MCCA is made up by Nicaragua, Honduras, El Salvador, Guatemala, Costa Rica and Panama, which joined in the 2013.

Central America today has a common external tariff and modern commercial norms. It has successfully achieved a free trade zone with the liberalization of trade of agricultural and industrial goods; exceptions are roasted and raw coffee, cane sugar, ethyl alcohol and alcoholic drinks, and petroleum products (although proposals exist to create a bilateral system incorporating these products in the free trade category).

Since 2010, countries in the region have been working on half-yearly action plans. This dynamic permits the achievement of concrete short-term results. This has resulted in the approval of a number of important technical regulations facilitating trade in Central America, the prompt solution of trade problems, the elimination of tariffs on raw materials and inputs not produced in the isthmus, and the maintaining of up-to-date customs practices, among others.

In the more than 50 years since the signing of the General Treaty for Economic Integration, Central American integration has strengthened; it has gained credibility and the recognition of the international community and it has negotiated free trade treaties such as the Free Trade Agreement for Central America, the Dominican Republic and the United States of America (DR-CAFTA), and more recently, the Association Agreement with the European Union, which have facilitated participation and presence in the international trade arena.

Efforts have been made to deal with the problem of inadequate physical infrastructure. These efforts include the formulation of the Central American, Panamanian and Dominican Republic Investment and Financing Plan (PIFCARD for its initials in Spanish), the Pacific Corridor, the Central American Electrical Interconnection System (SIEPAC for its initials in Spanish), the Central American Road Network (RICAM for its initials in Spanish), the Mesoamerican Information Highway (AMI for its initials in Spanish) and the International Transit of Goods standards (TIM for the initials in Spanish), with all these forming part of Proyecto Mesoamérica, the Mesoamerican Project.

Despite successes in economic integration, important challenges still exist such as the conciliation of the different positions adopted by countries on political issues, the ongoing need for the forging of real customs union and uniformity of criteria, and the up-to-now slow progress in harmonizing common norms and regulations affecting the commerce of goods and services.
**Free trade Agreement with Mexico**
The Costa Rica-Mexico Free Trade Agreement (FTA) went into effect on January 1, 1995. This process of convergence of free trade agreements between the countries of Central America and Mexico was concluded in November of 2011, allowing a single agreement to regulate the trade relations between the Central American countries and Mexico. This agreement is currently still valid and in effect. The ratification of this agreement by Costa Rica was passed by Law 9122 on July 1, 2013.

In 1995, Costa Rica exported US$16.8 million in goods to Mexico and for 2017 exports to that country were of US$294.4 million.

The 97% of the imports of products from Mexico are part of a preferential tariff agreement, or they are part of the free trade agreement. On the other hand, products with a restricted preferential treatment are tobacco, some dairy products, sugar, footwear, powdered drinks, beef, and cocoa.

**Free Trade Agreement with the Dominican Republic**
The FTA with the Dominican Republic, in effect since 2002, sets forth norms and disciplines applicable to the trade of goods, services, investments, public sector acquisitions, competition policies, conflict settlement, and intellectual property. Once the Free Trade Agreement among the Dominican Republic, Central America, and the United States of America comes into effect, the commercial relationship between Costa Rica and the Dominican Republic will be ruled pursuant to this new Agreement.

In the FTA with the Dominican Republic, Costa Rica grants free access to 99.2 percent of its tariff universe. The chief products subject to the tariffs reduction program are: beef and pork meat, shrimp, milk products, tomato-based preparation products, various paper products, various plastic products, and diverse medicines. On the other hand, the following products were excluded from the liberalization commitments: sugar, petroleum derivatives, roasted and non-roasted coffee, wheat flour, ethyl alcohol, rice, chicken, powdered milk, onions, garlic, beans, tobacco, and cigarettes. In 2017 Costa Rica exported US$231.3 million to this destination.

**Free Trade Agreement with Chile**
The Costa Rica-Chile FTA, in effective since the year 2002, includes provisions in goods trading, services trading, investments, public sector acquisitions, air transportation, and conflict resolutions. The Central American countries and Chile agreed that the negotiation of access to the markets would be carried out bilaterally between each Central American country on one side and Chile on the other. Accordingly, Costa Rica and Chile bilaterally negotiated the access to the market of goods. Chile committed to provide an asymmetric treatment with longer time terms for the entrance of the Chilean products into the Costa Rican market. In 2017 Costa Rica exported US$44.3 million.

**Free Trade Agreement with Canada**
The FTA with Canada came into effect on November 1, 2002. The Agreement provides market access rules for goods and services, investments, public sector acquisitions, and conflict resolution mechanisms. In a parallel manner, agreements on environment and labor matters were negotiated. The existing differences in terms of size and development levels between Canada and Costa Rica were reflected in the asymmetric treatment that was agreed upon for the removal of tariffs.

Costa Rica immediately eliminated tariffs on 65% of its tariff sub-categories, the majority of which are related to primary materials that are not produced in Costa Rica. For the remaining goods, Costa Rica would reduce tariffs by 19% over a period of six years. This reduction was reached in 2009. There will be an additional reduction by 15% within 14 years, which will be fulfilled by the year 2016.

Since the treaty came into effect, exports increased significantly from US$31.3 million in 2002 to US$78.66 million in 2017.
Free Trade Agreement with the Caribbean Community

On August 9, 2005, the Costa Rican Legislative Assembly approved the commercial agreement between Costa Rica and twelve countries of the CARICOM (Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, San Cristobal and Nevis, Santa Lucia, San Vicente and the Granadinas, Suriname, and Trinidad and Tobago). Upon such approval, all those internal procedures necessary for the effectiveness of the Treaty were finalized by Costa Rica.

The Treaty between Costa Rica and Trinidad and Tobago came into effect on November 15, 2005, with Guyana on April 30, 2006, and with Barbados on August 1, 2006. In the remaining CARICOM countries the conclusion of the internal procedures leading toward the approval of the Treaty is still pending.

The FTA with the CARICOM countries provides for matters related to market access for goods and services, investment, public purchases, temporary entrance, competition policies and conflict resolution mechanisms. 93.6 percent of CARICOM products and 94.5 percent of Costa Rican products will enjoy free tariffs for a term not longer than four years as of the date the agreement comes into effect. For certain agricultural products a seasonal access treatment will be applied. Among the products Costa Rica excluded from the tariff reduction are rice, sugar, beer, chicken, pork meat (except for ham and shoulder blade-bone), liquid and powder milk, paints, and varnishes.

Free Trade Agreement and Preferential Exchange with Panama

Trading of goods between Costa Rica and Panama is regulated by the Free Trade Agreement and Preferential Exchange Treaty of 1973, which has a limited scope relative to trade liberalization. Four preferential treatment types were basically set forth under this Treaty; for example: free trade, imports and/or exports controls, annual quotas, and special tariffs.

In 1998, the CACM countries launched negotiations towards a FTA with Panama with an aim to establish an ampler commercial and normative coverage. Negotiations on the normative side were terminated in May 2001, and negotiations towards bilateral access to trade goods and services came into effect in May 2002. In the case of Costa Rica, said negotiations were temporarily put on hold after that date; they were later resumed in 2006 and terminated on June 22, 2007 upon the commitment to a free trade agreement. On November 24, 2008, the Bilateral Free Trade Agreement Protocol between Costa Rica and Panama went into effect. On January 1, 2009, Appendix 3.04, regarding the Tariff Relief Program, went into effect. Law Number 8675, from October 16, 2008.

This trade agreement consolidates free trade for all the products set forth in the bilateral agreement of 1973 and, additionally, 87% of the total system of tariffs will enjoy free trade treatment by both countries. In terms of exportable offer, this free trade treaty comprises close to 90% of Costa Rican exports to the Panamanian market. In the case of all remaining products, a gradual elimination of tariffs was agreed upon, and would take effect within different timeframes. Tariffs would be eliminated for industrial sector goods within five to eleven years, and between three and seventeen years for agricultural and agro-industrial goods.

Panamanian market is particularly important for Costa Rica accounting 5% of the total exports, and is of considerably interest to small and medium-sized Costa Rican companies. In 2017, the equivalent of US$600.2 million was exported to that country.
**DR - CAFTA**

On December 21, 2007, Costa Rica joined the countries that have a Free Trade Agreement with the United States of America. This was through the passage of law number 8622, published in the Official Gazette number 246, entitled "Law Approving the Free Trade Agreement executed between the Dominican Republic, Central America, and the United States of America" (DR-CAFTA). Recently, all incidental laws and bylaws associated therewith were approved in Congress, providing full, legal, and practical effect to the DR-CAFTA. It became effective on January 1, 2009. Costa Rican and the United States in particular achieved commercial exchange for US$13,234 million.

In 2017, Costa Rica exported to United States of America US$4,488.3 million, becoming this country the main commercial partner. Imported US$6,496 million.

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**Free trade agreement with China**

The free trade agreement with China became law upon the passage of law number 8953, published June 21, 2011, in the Official Gazette number 33, entitled "Law Approving the Free Trade Agreement executed between the Republic of China and Costa Rica." It became effective on August 1, 2011.

China is one of the main commercial partners for Costa Rica. Exports from Costa Rica to that nation were of US$2,097 million in 2017.

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**Free trade agreement with Peru**

This agreement became law upon the passage of law number 9133, published April 24, 2013, in the Official Gazette number 81, entitled "Law Approving the Free Trade Agreement executed between Peru and Costa Rica". It became effective on June 1, 2013.

In 2017, Costa Rica recorded exports for US$61,1 million.
Foreign Investment System

General Aspects

Costa Rica has a generally open foreign investment system, although there are some relevant exceptions. The State holds exclusive rights in regard to the importation, refining, and distribution of petroleum oil and its derivatives; insurance services; railroads, maritime ports, and air ports; some postal services; and single concessions in some power and telecommunications services. Some of these activities may be subject to concessions pursuant to applicable laws. The Telecommunications General Law number 8642 and the Law Regulating the Insurance Market number 8653 were published in June and July of 2008, respectively.

There is no special law in Costa Rica in terms of foreign investment, although several laws and regulations seek to promote these activities, including Tax Exemption Regimes and faster Immigration Procedures. The set of international treaties explained before are also intended to promote foreign investment and activity in our country. The most favored nation treatment is guaranteed to foreign investors in sections set forth in bilateral investment treaties, free trade agreements, or under the General Trade Services Accord. Foreign investors are entitled to the same incentives and benefits granted to Costa Rican companies. Constitutionally, Article 19 of the Political Constitution provides that foreign nationals are subject to the same individual and social duties and rights as Costa Ricans, except for the exceptions and limitations set forth by the Constitution itself and by the regular laws. Article 45 of the same legal body contains the regulatory frame within which expropriation is ruled. Under this regulation, if it finds a “public need,” Congress may, upon the votes of at least two thirds of the totality of its members, impose limitations of social interest to private property. The “Expropriation Law” (number 7495 of June 1995) provides the principles which define the indemnifications payable by the State using the “fair price” concept.

The Civil Codes provide general rules governing private international law regulations. These ensure that both Costa Rican and foreign parties follow specific rules to appear before court, and they protect their rights under agreements, including international elements.

Finally, Costa Rica ratified the Constitutive Agreement of the Inter-American Investment Corporation of the Inter-American Development Bank, and it is a member of the Multilateral Body of Investment Guarantees of the World Bank. By the end of January 2006, Costa Rica kept agreements on reciprocal promotion and protection of investments with fourteen commercial partners, while four similar new agreements were pending legislative approval.

Restricted Activities

A number of laws restrict private investment in the following activities. All are public monopolies.

Alcohol Distillation
Alcohol distillation for the production of spirits and liquors. In Costa Rica, the National Distillery Factory (a public company) is the sole alcohol distillery facility in the country.

Crude Oil Refinery
The Costa Rican Oil Refinery (RECOPE by its Spanish name) is also one of the few State-owned companies. This imports crude oil and distributes it to service stations and large consumers.

Policy and Investment Incentive

General Aspects

There are no limits to foreign capital invested in areas such as agriculture, industry, trade or loans to institutions and the laws protect the established industries, propose sanctions, and stimulate their development by means of:
- Tax Incentives.
- Adequate credit policies administered by the National Banking System.
- Exclusion of business practices that could affect new industries.

The Costa Rican legal system favors foreign investment by guaranteeing equal opportunities. Currently, there are various available options for foreign investors such as the Temporary Admission System for passive perfection and the Free Trade Zone System.
Temporary Admission System for Active Perfection
This system allows a country to receive goods within its national customs territory, with the suspension of all types of taxes, and under the accountability of a guarantee. Such merchandise should be re-exported within a period of six years after having been submitted to a process of transformation, repair, reconstruction, or assembly, or be assembled as a whole (for machinery, general transportation equipment, or highly-complex technological or functional tools), or used towards other similar ends.

The machinery and other equipment necessary for the functioning of companies that operate within this system should enter the country without having to pay taxes, under the accountability of a guarantee.

This is not a system meant to exonerate settlement of other internal taxes (income tax, remittances, and other taxes).

Companies wishing to resort to this system must file a petition before the Ministry of Foreign Trade and comply with all applicable requirements to register as auxiliary agents of the public function with the Customs General Office.

The system has two modalities: a) one hundred percent exports; and b) export activities plus local sales. In the latter case, all imported goods that are subsequently sold locally will settle the applicable taxes on a percentage basis.

In August 29, 2008, a Decree was submitted to amend the By-Laws of the Active Perfection System. The purpose of the Decree is to simplify a series of steps and streamline the operations that the companies benefiting from the System perform, as well as to eliminate unnecessary requirements and formalities.

Free Trade Zone System
The Free Trade Zone system is a system that frees goods from importation taxes and gives companies that are part of the system an exemption from income taxes, according to the category under which the goods enter the country. The company may receive income tax exemption benefits for periods of time that vary between 8 and 12 years, or pay a percentage of the 6%.

Entry into the Free Trade system requires a minimum investment, which is determined based on geographical location and based on the activities the company will take part in, and whether or not these activities will take place within an industrial park.

The incentives that the Costa Rican State offers the companies that join the Free Trade Zone system have been defined as prohibited subsidies by the World Trade Organization, due to the fact that such incentives are subject to the results of exportation as a condition of enjoying the fiscal benefits, especially in terms of income taxes. Nevertheless, Costa Rica modified its Free Trade Zone Law in 2010 in order to comply with the WTO's regulations. Therefore, processing companies that wish to join the Free Trade Zone must fulfill the requisites that are laid out in the legislation.

Companies that may request entry into the free trade zone system are classified in the following way:
- Industrial companies that process and assemble exportation or re-exportation products to third-party markets outside of Central America.
- Companies dedicated to marketing—which re-package or re-distribute non-traditional export or non-export products.
- Companies that offer services.
- Service companies that operate and offer shipyard reconstruction, repair, and maintenance services to cargo ships that transport exports.
- Corporations and persons who perform scientific research to improve technological and agro-industrial activities.
- Processing industries that produce, process, or assemble goods, regardless of whether they export them or not, as long as they meet the following requirements:
  a) Belong to a strategic sector, according to the Definition made for these requirements.
  b) Be totally or partially exempt from income tax payments.
  c) Make a minimum investment, according to geographic location.
  d) Demonstrate that the investment project may be made in any other country, or moved to another country. This requirement is assumed to be fulfilled if the controlling entity operates a processing plant in a foreign country outside of Central America and Panama that is similar to the plant that the company will operate in Costa Rica.
Export Processors
These must fulfill an exportation requisite; the company should export at least 75% of its production (this category will not be issued after the year 2015).

Service Exporters
These are companies that export services to persons or companies domiciled abroad, or to other companies in the Free Trade Zone. Up to 50% of services may be sold to domestic companies. Nonetheless, the exemption from income taxes will correspondingly be decreased by the same proportion.

Traders
These do not manufacture products; they simply manipulate, repack, or redistribute non-traditional merchandise for exportation or re-exportation. These products may not be sold on the local market.

Scientific Research Companies
These are dedicated to improving the technological level of industrial and agro-industrial activities in the country, as well as of the country's Foreign Commerce.

Companies that operate dockyards and dikes
These work doing construction, repairs, or maintenance on vessels (dry or floating).

Park Administrators
These are companies that are dedicated to administrating parks; these parks are destined for installation in the companies governed by the rules of a Free Trade Zone.

Independent processors that may or may not export
/ Free Trade Zone supplier companies
A level of exportation is not a requisite to join this category. (This category also encompasses processing companies that provide at least 40% of their supplies to other companies within the Free Trade Zones).
How to do business in Costa Rica?

**Processing Industries that produce, process, or assemble goods, regardless or whether or not the goods are exported**

These should meet a series of requisites in order to receive the preferential 6% income tax rate.

Processing or industrial companies should export 75% of their production, marketing companies should export 100% of the goods they market, service companies should export at least 50% of the services, and processing companies that assemble and process goods do not have an exportation limit requirement. The goods and services that are imported for the internal market are subject to all applicable taxes, as well as to the customs procedures that are applied to all similar imports. Additionally, the percentage of the income tax exoneration applied to imports, as well as to machinery, equipment, prime materials, and also the income tax, will be reduced by the same proportion that the value of the goods and services represent to the national customs territory, in relation to the total value of the company’s sales and services, in accordance with the regulations of this law.

An investment of at least US$150,000 in fixed assets should be considered a part of the requirements necessary to request entry into the free trade zone system. For cases in which the company is located in an industrial park, if the company wishes to operate outside of the industrial park, the minimum investment is US$2,000,000.

There are 375 companies in Costa Rica operating inside Free Trade Zones. In that year their exports had exceed US$4,191 million.

**Tax Incentives**

Companies that have been accepted into the free trade zone system may take advantage of the following incentives, although these are also subject to the indicated obligations and requirements:

1. Importation of prime materials or other materials necessary for operation, with an exemption of importation tax payments.

2. Importation tax exemption for machinery and equipment, as well as for their accessories and pieces.

3. Importation tax exemption for vehicles that are used by the company for production, administration, or transportation, related to the company’s activity.

4. The following vehicles and vehicle parts may be exonerated:
   - Any chassis with a cabin, with a cargo capacity or between one and two tons.
   - Trucks or chassis for trucks.
   - “Pick-up” trucks with a cargo capacity of between one and two tons.
   - Vehicles with a minimum capacity of fifteen passengers.

5. Any machines or equipment older than five years, as counted from the import date, which have been imported duty-free, may be freely transferred, exchanged, or sent to be stored within the national customs territory, without having to pay any taxes.

6. Exemption from any taxes and consular rights that may be charged for importing fuels, oils, and lubricants which may be required for the company to operate. This exemption will be issued only if the equivalent goods are not produced within the country in a suitable quantity or of a suitable quality as required by the company. In order to import these products, the Ministry of Economy, Industry, and Commerce must issue a previous authorization and issue a reasoned opinion within a maximum period of fifteen workdays.

7. Exemption from any taxes associated with the exportation or re-exportation of products. This exemption shall be issued for the re-exportation of production machines or equipment in the Zones, as long as they are brought into the country under the framework of this law.
8. Exemption from paying taxes on capital and net assets, territorial taxes, and real estate transfer taxes, for a period of ten years starting at the beginning of operations.

9. Exemption from sales and consumption taxes charged for the purchase of goods and services.

10. Exemption from any taxes that may be charged for remittances sent abroad.

11. Exemption from any taxes on utilities, as well as any other tax which is calculated based on gross or net incomes, dividends paid to stockholders, incomes, or sales, while complying with the following distinctions:
   - For companies located in the Amplified Greater Metropolitan Area (AGMA), the exemption rate will be one hundred per cent (100%) for a period of eight years, and the rate will be fifty per cent (50%) for the following four years thereafter.
   - For companies located outside of the Amplified Greater Metropolitan Area (AGMA), the exemption rate will be one hundred per cent (100%) for a period of twelve years, and the rate will be fifty per cent (50%) for the following six years thereafter.

12. Exemption from all taxes and municipal licenses for a period of ten years. Companies that fall under this article must pay for the municipal services that they make use of. In this case, the respective municipality may charge up to twice as much as the legally-established fees for these services. Nevertheless, the companies that have been established in the Free Trade Zones are authorized to procure these services from any physical or legal person they choose.

13. Exemption from any taxes on the importation and exportation of commercial or industrial samples, following authorization by Office of Foreign Trade Promotion of Costa Rica  PROCOMER.

14. In order to better develop their operations, the companies that have been accepted into the Free Trade Zone Regime may freely perform any kind of acts or contracts using foreign currencies, in terms of international transactions or those which take place between other companies that have been established within the Free Trade Zone Regime. In such cases, the amounts should necessarily be paid using foreign currencies. Companies that have been accepted into the Free Trade Zone Regime enjoy the free possession and handling of funds that have been acquired based on what has been outlined in the previous paragraph, or which have been derived through the company’s ordinary operations, and they shall be exempted from the application of the regulations regarding currency exchange. The Central Bank shall establish regulations for this benefit and the activities that may be derived from it.

15. Export processing companies that benefit from the Free Trade Zone Regime and which have been operating for four years under the Regime may receive an additional exemption from income taxes if they then reinvest in the country, within the following parameters:
   a) If the reinvestment exceeds twenty-five percent (25%) of the original investment, the exemption will be for one additional year.
   b) If the reinvestment exceeds fifty per cent (50%) of the original investment, it will be for two additional years.
   c) If the reinvestment exceeds seventy-five per cent (75%) of the original investment, it will be for three additional years.
   d) If the reinvestment exceeds one hundred per cent (100%) of the original investment, it will be for four additional years.
The additional exemptions shall be for seventy-five per cent (75%) of the payable income tax. The additional exemptions issued here will take effect after the company has completed its eighth year of operations, without affecting the originally-issued exemptions corresponding to the period after the first four years, which will take effect once the additional exemption period described here expires. For companies that have their installations in zones designated as "relatively less developed" zones, the additional exemption that is issued will take effect after the completion of the twelfth year of operations, without affecting the originally-issued exemptions corresponding to the period after the first six years, which will take effect once the additional exemption period expires. Reinvestment that leads to this additional exemption must take place after the completion of the fourth year of operations, and before beginning the eighth year of operations within the framework of the Free Trade Zone Regime. The additional exemption shall only be issued to companies whose original initial investment of fixed assets was valued at at least two million US dollars (US$2,000,000).

Processing companies which are categorized under category "f" are not obligated to complete a minimum amount of exportation. Nevertheless, in order to be part of the system, they must fulfill the following eligibility criteria:

1) Belong to a strategic sector. A Special Commission will be established to define the guidelines required to classify the sector as strategic for the development of the country. Within those guidelines, the project must also include social development contribution projects and high-technology projects.

2) New investments in the country must be subject to international mobility. The idea of "investment mobility" shall take into consideration whether the investment could reasonably be made in or moved to another country. It shall be assumed that the investor’s controlling entity operates overseas, and that at the time of applying to the FZR, it will have a processing plant, similar to the one to be established in Costa Rica, operating outside Central America and Panama.

3) Have total or partial exemption at the time of application for FZR, or be a non-tax payer at the time the amendment comes into effect. The regime is also available to significant providers of companies under the Free Zone Regime (making a new investment in the country will be the only requisite). Companies in this category can be established in areas of lower relative development (i.e., they do not need to belong to a strategic sector). If a company keeps a minimum US$10 million of new investment in the country (calculated based on the book value of assets subject to depreciation and on the 8-year investment plan), and at least 100 employees duly listed on payroll, the exemptions stated in sections g) and 1) of article 20 of the current Law will be applied. Should that not be the case, sections g) and 1) of article 20 of the current Law will still be applied, but companies will pay a 6% income tax rate. Current FZR incentives remain the same, except the one pertaining to income tax exemption. Companies complying with the investment and employment thresholds and the income tax exemptions are maintained as stated in sections g) and 1) of Article 20 of the Current Law. The Law establishes the possibility of applying a tax credit of up to 10% of the taxable income for reinvestment and training expenses for Costa Rican personnel and for provider SMEs (when the amount of said expenses is greater than 10% in a year, the difference may be used in the subsequent 5 years).
Free Trade Zone Location
Some of the major Free Trade Zones are located in the following areas:

**Zeta-Cartago**
Located 45 kilometers (28 miles) from the Juan Santamaría International Airport and 23 kilometers (14 miles) from San José. It is the oldest private free trade zone in Costa Rica. Area: 100,000 square meters of built industrial area plus 6,600 square meters for future development.

**Saret Airport**
Located 1.4 kilometers (less than a mile) from the Juan Santamaría International Airport on the Inter-American Highway. Area: 24,900 square meters of industrial space and 2,000 square meters available for rent.

**Metropolitana**
Located 5 km (3.2 miles) from Juan Santamaría International Airport. Contains an area of 11.5 hectares of industrial buildings, and an area of 8 hectares for future enterprises.

**Ultrapark**
Located four miles away from the Juan Santamaría International Airport. It offers office space and industrial production, banks, and customs. It also offers a database designed for workforce hiring.

**Zeta-Alajuela**
Located two kilometers (1.2 miles) from the Juan Santamaría International Airport. It provides excellent access to companies exporting their products by air on a daily basis. Area: 8,200 square meters built out of its total capacity of 90,000 square meters.

**Puntarenas**
Located in Barranca, five miles from Puerto Caldera on the Pacific coast. It has free access to the Juan Santamaría International Airport and to the Daniel Oduber International Airport. It offers excellent premises: banking services, cargo transportation, a customs agency, and a center for employee hiring. Area: 41 hectares. This industrial park offers some special incentives due to its location, which therefore reduce operational costs.

**B.E.S. Taiwán**
Located 1.5 kilometers (one mile) from the Juan Santamaría International Airport. It was developed by the Government of Taiwan. Area: 1,200 square meters of available industrial space and 66,000 square meters for future developments.
**Customs**

**Customs procedures**

Customs procedures in Costa Rica are carried out through an agent responsible for conveying declaration forms to the Customs Office. However, the importer must provide the required documentation, such as commercial invoices, bills of lading, insurances agreements (if any), and technical specifications to identify the right designation and coding of the merchandise within the Central American Customs System.

**Import Duties**

Customs Import Duties (CID) are applicable to import merchandise as a percentage of their value (ad valorem). Their taxable base is the customs value pursuant to what is provided for in the WTO Value Accord. The basis for defining import taxes consists of the real price paid or to be paid, international transportation costs, insurance costs, and any applicable additions therewith, per Article 8 of the WTO’s Value Accord.

Costa Rica and Central America apply a common external tariff, in accordance with the regulations of the Central American General Economic Integration Agreement.

The DAI rate applicable to goods will be in accordance with the classification of the goods. The Central American tariff policies are based on the following tariff levels applicable to capital goods, prime materials, intermediate goods, and final consumer goods, as displayed in the following pyramid:

**Tourism Incentives**

**Use of Benefits**

Costa Rica grants incentives to tourism activities in a number of ways. Such incentives were created upon the Incentives Law for the Development of Tourism number 6990 (ILDT).

Incentives set forth in the ILDT may be fully or partially granted, depending on the applicant company and the Tourism Agreement signed between the Company and the Costa Rican Institute of Tourism (ICT in Spanish). Pursuant to Article 29 of the ILDT, benefits may also be subject to certain requirements and conditions.

The Agreement clarifies which incentives may or may not be granted to the requesting companies according to their characteristics, the company must show evidence that it has previously qualified as a tourism company with the ICT.

The final Agreement must be submitted to the relevant Administrative Authorities to have access to the applying benefits, including tax exemptions, reductions of rates, accelerated depreciation of assets and expedite business permits.

Article 35 of the ILTD bylaws provides that, in the case of tax exemptions granted under the ILTD and its bylaws, they must be handled, as a request, using the forms specifically designed to that effect by the Ministry of Revenue. These requests shall be filed before the Ministry of Economy, Industry and Commerce and thereafter before the Technical Secretary’s Office for the applicable review. In the event the exemptions are applicable, the relevant authorization will be recommended to the Department of Exemptions of the Ministry of Revenue.
**Incentives**

**Tax Incentives:** Exemption of all taxes and rates applicable to imports or local purchases, including assets and goods required for the functioning or setting up of new companies or services. This exemption also applies to constructions, expansions, or remodeling of the relevant infrastructure.

This exemption is not applicable to imports of those similar goods manufactured in the national territory of the member countries to the Central American Agreement on Tariffs and Customs Systems in equal conditions in respect to quality, quantity and price, according to the Ministry of Economy, Industry and Commerce.

**Accelerated Depreciation:** Accelerated depreciation of goods which are rapidly deteriorated or consumed pursuant to the Income Tax Law, and which are directly used in the hotel trade.

**Concession of Municipal Licenses (Patentes):** Required by the companies to develop their activities. Municipalities will grant these licenses within a maximum term of 30 calendar days as of the date of the filing of the request. The Municipalities will then collect the applicable tax.

Concessions of municipal licenses and permits include national and foreign liquors, so as to meet the needs of the population. Liquor licenses include all the positions the company has on its authorized premises and locations. However, liquor licenses granted under these conditions may not be used on other premises. Likewise, it is important to know that the price of these licenses may not exceed the value of the last auction of a similar license in the same district – Article 30 of the ILTD Bylaws.

**Auxiliary Exchange Office - Service Agreement:** It is possible for the company to become authorized by the Costa Rican Central Bank to be an auxiliary office of foreign exchange to buy currency from foreign tourists. Operations would be performed in the name of and in the account of the Costa Rican Central Bank which will provide, in the corresponding agreement, all terms and conditions whereby the hotels will transfer currency received as a result of such activity.

**Exemption of Territorial Taxes:** This exemption applies to those establishments located outside the Metropolitan Area as defined by the Planning Ministry for a period of up six years from the date of implementation of the Contract. To receive the exemption, the company must submit a copy of the contract that gives it the exemption to the Tax Administration.

**Relevant Institutions for the Promotion of Foreign Investment and Economic Development**

**Foreign Trade Promotion Office (PROCOMER)**
The Costa Rican Foreign Trade Promotion Office (PROCOMER) is the result of the merger of three entities linked to foreign trade: the Center for the Promotion of Exports and Investments (CENPRO), the Free Trade Exporting Corporation S.A., and the National Investment Council. PROCOMER is the official institution for the promotion of exports and investments in Costa Rica.

PROCOMER is a public, non-governmental organization. Its Board of Directors is chiefly represented by the private sector and its main operational areas are the promotion of exports, attraction of investments, management of special systems (export contracts, free trade zones and temporary admissions), foreign trade single position, and statistical information.

**Costa Rican Investment Promotion Agency (CINDE)**
CINDE is a private non-profit organization whose purpose is to promote the expansion of manufacturing industries through foreign investments. In addition, it provides advisory services to interested companies and prepares projects oriented towards exporting activities and to setting up industrial premises in the country.

CINDE has strong connections in both the private and public sectors. Its professional team is capable of providing information in areas such as economy, trade, the country’s economic profile, tax and labor regulations, incentives granted by the Government, and the business climate in general. It also manages information on market opportunities resulting from trade agreements, international prices, market trends for Costa Rican products, international marketing services, and maintains contacts with high-end executives in both the private and public Costa Rican sectors. CINDE also has an office located in New York City (USA).
Representatives of Foreign Companies

Rules applicable to representation services; contingencies on foreign companies (home offices).

**Regulations**

Pursuant to Article 360 of the Code of Commerce, any individual or company involved in the promotion, facilitation or fulfillment of the sale or the distribution of goods and services, may act as a representative or distributor for foreign companies doing business or providing services in the country.

Representatives of foreign companies are all covered by the Law Protecting Representatives of Foreign Companies and its bylaws, established on March 9, 1978. This is specifically in regard to (i) their duties, (ii) rights and obligations, (iii) cancellation of contracts, (iv) just causes for termination of the representation, distribution, or manufacturing agreement, with or without liability to the foreign company, and (v) responsibilities of the parties and those pertaining to indemnifications in the event of damages. This law was amended by Law number 8629 published in the official Gazette on December 18, 2007, with the purpose of complying with the commitments agreed upon in the RD-CAFTA.

According to the law, a "Representative of Foreign Companies" is any physical or corporate entity which in a continuous and autonomous manner, with or without legal representation, prepares, promotes, facilitates, or validates the sale or distribution of goods or services that foreign companies sell or provide in the country.

The following conditions are required to become a representative of foreign companies:
- Be a Costa Rican citizen or a foreign individual or entity duly and permanently established within the national territory.
- Be sufficiently prepared in commercial matters and be of renowned solvency and honorability.

The above requirements must be evidenced as follows:
1. Presenting the Costa Rican identity or residence card of the applicant;
2. Presenting written evidence issued by any of the following entities: Chamber of Representatives of Foreign Companies, the Costa Rican Chamber of Commerce, or any other legally acknowledged businesspersons association where evidence exists verifying that the applicant has carried out business activities in the country in any of their modalities for a period of no less than three years, that the applicant is well prepared in business matters, and of excellent solvency and honorability status;
3. Presenting the pertinent license once it has been recorded with the Mercantile Registry so that notice may be taken in the corresponding record book carried by the Ministry of Revenue.

Amendments to the Law introduced as a result of the commitments assumed in regard to the DR-CAFTA are:

The elimination of sub-section b) of Article 361 of the Code of Commerce which originally stated, as a requirement to become a representative of foreign companies, the following: "Having carried out business activities in the country, in any of the fields, for a period not under a term of three years."

These amendments also included a new article (10 bis) which rules the indemnities arising from claims and liabilities for damages in the exercise of the representation of a foreign company. It substitutes the previous formula for the calculation of damages with the general principle whereby any and all damages are cured as long as they are quantifiable and provable.

The following just causes for terminating the representation, distribution, or manufacturing relationship with no liability on the part of the foreign companies are added, as follows:

• The expiration of the contract at its due date as agreed upon by the parties or else, when prior notice as provided in the contract is delivered thereto; and
• The termination of the contract notified to the representative, distributor, or manufacturer with at least ten months of anticipation in the cases where the contract does not state a date of expiration or when the prior notice is not provided for.

In addition, Article 7 of the above-mentioned Law states the following: "The rights of the representative, distributor, or manufacturer, pursuant to this Law, cannot be waived. The absence of any specific provision(s) in a representation, distribution, or manufacturing agreement for the purposes of conflict resolution matters will be taken as a presumption whereby the parties had the intent to settling any disputes through a binding arbitration proceeding. The arbitration proceeding may be carried out in Costa Rica. Nevertheless, the above stated presumption will not apply when one of the parties objects the arbitration proceeding."
Taxes

An essential element to take into account by any investor. Suitable tax planning could stand as the difference between profits and losses.

There are a number of tax systems applicable in Costa Rica which, in general terms, are managed by the General Tax Administration and the General Customs Administration, both under the authority of the Ministry of Revenue. The first Administrative Body is in charge of: (i) income taxes and related; (ii) general sales tax; (iii) selective consumption tax, and (iv) other minor taxes. The second collects customs taxes and other taxes from import operations.

Additionally, local governments (municipalities) manage the following taxes: (i) real estate taxes, (ii) municipal taxes on licenses, (iii) liquor licenses and taxes on public shows, and (iv) Maritime-Land Zone public concession canons. License taxes include the authorization to start profitable activities within the jurisdiction of a given territorial entity. The tax payable is defined based on gross and net income.

There are other governmental offices responsible for collecting special taxes and other contributions of a similar nature. For example, the Costa Rican Social Security Agency (CCSS, in Spanish) collects contributions subtracted from the wages of employers and employees toward financing the public health and pension systems.

Comments of the Structural Tax Reform
The Tax Plan was studied for the first time in year 2001. From then on, a number of versions of the proposed law have been submitted before the Legislative Assembly with no success.

Initially, the master features of the amendment were, on one hand the movement towards a global taxable income instead of the now existing tax payers’ enlisted system, and the movement to a taxable worldwide income of the resident taxpayer (capitals of Costa Rican origin), on the other, regardless of the place the income is generated or attained as opposed to the current territorial model.

Currently, the discussion was resumed by the Legislative Assembly. The legislators have approved a fast route to the discussion of Fiscal Reform. The current law project, named “Strengthening of Public Finances” [Fortalecimiento de las Finanzas Públicas] includes passing from current sales tax to a value added tax (VAT) (with reduced rates for health and education services) and a deep income tax reform.
**Treaties to Avoid Double Taxation and for Exchange of Information**

At present, Costa Rica has already signed and ratified a treaty with Spain (2010). Also, it has approved a treaty with Germany to avoid double taxation (2016), which is still pending ratification. Finally, other such agreements continue under negotiation (Mexico and Canada among others). Other treaties, for example, like the one with the United States of America, have addressed the exchanging of information for taxation purposes, and the applying FACTA, while others on this same issue have been signed with different countries which seek to motivate the exchange of information between Taxation Authorities. In general, these instruments seek the correct taxation and collection of taxes and attempt to prevent fraud or tax evasion. They set forth the best information exchange sources in connection with tax issues.

In terms of Central America, the country has moved forward with a significant effort to draft and implement a mutual cooperation model accord aimed at preventing tax avoidance and evasion and to cooperate among tax administrations for collection purposes.

**Income Tax on Business Entities**

**General Information**

The income tax is applicable to commercial entities established in the country, as well as to branches of foreign entities. This tax applies to earnings received as a result of the development of profitable activities of any type, excepting those activities assigned with a specific tax treatment by means of other enlisted exemptions established by Law.

According to Article 2 of the Income Tax Law (ITL), all public and private companies carrying out profitable business activities and transactions in the country are income tax payers, regardless of citizenship, domicile, the place where the entities were formed, where they hold their board of directors meetings, or where they execute their contracts.

Income taxes are applicable to net income and the highest applicable rate is 30%. The following tariffs will apply:

<table>
<thead>
<tr>
<th>CHART 1</th>
<th>Corporate Income Tax - Fiscal Year 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tariff</td>
<td>Gross Income</td>
</tr>
<tr>
<td>10%</td>
<td>≤0 – ≤53,113,000 (Considered Small Businesses)</td>
</tr>
<tr>
<td>20%</td>
<td>≤53,113,000 – ≤106,835,000 (Considered Small Businesses)</td>
</tr>
<tr>
<td>30%</td>
<td>Income above ≤106,835,000</td>
</tr>
</tbody>
</table>

*Amount stated in this document are expressed in CRC, the local currency*
**Capital Gains**

Capital Gains are not taxable in principle, and are excluded from the gross income. However, this would not be applicable under two assumptions: (i) when the activity is "habitual", and (ii) in the case of transfers of tangible assets subject to depreciation.

**Deductions**

**General Information**

Net income is the result of deducting costs and useful expenses needed to generate profit from the gross income.

Article 8 of the Income Tax Law defines expenses that are deductible. The following is a brief list of the most relevant expenses with the warning that deductibility of some are subject to certain particular requirements.

<table>
<thead>
<tr>
<th>CHART 2 Deductible Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>The cost of goods and services sold; raw materials, parts, components, and services for the production of the goods and services sold; fuels, lubricants, and similar items.</td>
</tr>
<tr>
<td>Salaries and other remunerations or employee benefits.</td>
</tr>
<tr>
<td>Taxes, charges, and duties affecting the goods, the services, and the negotiations of the habitual line of business of the company except for income, sales, and consumption taxes when the taxpayer is a payer of such taxes.</td>
</tr>
<tr>
<td>Fire, robbery, theft, earthquake, and other risk insurance premiums.</td>
</tr>
<tr>
<td>Interests and other financial expenses, provided they have not been capitalized from an accounting point of view.</td>
</tr>
<tr>
<td>Debts which are clearly unrecoverable.</td>
</tr>
<tr>
<td>Depreciations to compensate the wearing out, deterioration, or the economic, functional or technological obsolescence of those tangible assets that generate taxable income owned by the taxpayer, as well as the depreciation of permanent improvements.</td>
</tr>
<tr>
<td>Amortization of losses of past periods when dealing with agricultural or industrial companies.</td>
</tr>
<tr>
<td>Employers’ contributions.</td>
</tr>
<tr>
<td>Payments or credits granted to non-domiciled individuals for technical, financial, or any other advice, as well as for the use of patents, provision of formulas, trademarks, privileges, franchises, royalties, and other similar services.</td>
</tr>
<tr>
<td>Representation expenses and similar expenses. Likewise, expenses incurred as a result of bringing technicians to the country or for the transfer of the taxpayer’s employees for acquiring special skills abroad are deductible as well.</td>
</tr>
<tr>
<td>Organizational expenses of the company that can be deducted in the taxation period in which they were produced or accredited; if these are accumulated, this may be over five consecutive years of taxes from the date of the company’s entering into production until the balance has been cleared. All costs and expenses necessary to enter into production of the taxable income shall be considered organizational costs.</td>
</tr>
<tr>
<td>Indemnifications, work benefits, and retirements, limited to an amount three times as much as the minimum amount set forth in the Labor Code.</td>
</tr>
<tr>
<td>Advertisement and promotion expenses incurred in or outside the country as necessary for the generation of taxable income.</td>
</tr>
<tr>
<td>Transportation and communications expenses, salaries, fees, and any other remuneration paid to non-domiciled individuals.</td>
</tr>
<tr>
<td>Authorized donations.</td>
</tr>
<tr>
<td>Losses as a consequence of the destruction of assets through fire or through felonies against the company, which are duly proven, and for the part not covered by insurance.</td>
</tr>
<tr>
<td>Additional expenses, as long as they are necessary, useful, and pertinent, supported by due documentation and subject to any withholdings applicable by law.</td>
</tr>
</tbody>
</table>
**Taxes on Disposable Income**

Tax on disposable income is established based on the disposable balance which results from deducting the tax on profits from the taxable income. Article 16 of the Income Tax Law (Ley del Impuesto sobre la Renta (LIR)) states that when taxable income or exempted income is earned according to LIR and other laws, this should be added to the balance of the disposable income or profit.

In terms of the effects of this tax, companies that are subject to payment of this tax are classified as capital corporations and personal corporations, as explained in article 17 of the LIR. This article says: "They are venture capital enterprises, public limited companies, with limited partnerships in stock and limited responsibilities; they are non-capital based companies, those of limited partnerships, of collectives and professional societies, and all those whose capital is not represented by stock, apart from those mentioned as venture capital enterprises".

Individuals attaining taxable income for their activities include: (i) limited liability partnerships; (ii) employees; and (iii) all those physical individuals not specifically mentioned who perform profitable activities.

In general terms, when the available income of capital companies is distributed in cash, in kind, or in shares of stock of the company itself, the company must:

i. Withhold fifteen percent (15%) from such amounts as a sole and definitive tax payable by the shareholder.

ii. When it deals with dividends distributed by corporations ("sociedades anónimas") and whose stock is recorded with an officially recognized stock exchange, and in addition said shares of stock have been acquired through said institutions, withhold five percent (5%), as a sole and definitive tax payable by the shareholder.

iii. Neither the withholding nor the tax are applicable in the following cases: when the partner is another corporation domiciled in Costa Rica and subject to said tax, and when dividends are distributed in the form of nominative shares of stock or corporate quotas of the company paying them.

Please note that in the case of dividend payments from one entity to another, when both are domiciled in Costa Rica, these payments are not subject to paying the applicable income tax. On the other hand, branches, agencies and other permanent business concerns of persons not domiciled in the country where they have their activities are essentially subject to the same treatment in regard to this tax pursuant to Article 19 of the ITL.

**Taxes on Remittances**

The foreign remittances tax is levied all incomes or benefits of Costa Rican source that are sent abroad (Article 52 of the ITL, paid out to those non-domiciled in Costa Rica). The tax is generated when an income or benefit of Costa Rican source is settled, credited, or in any other way made available to persons domiciled abroad.

Taxpayers are those individuals and corporations domiciled abroad and receiving income from Costa Rican sources. However, persons domiciled in Costa Rica delivering the remittances or crediting the taxed income or benefits, act as withholding agents for the report and payment of the tax, and are jointly liable for compliance with this tax obligation.

The tax must be withheld at the time it is settled, credited, or made available to the non-domiciled person. It must be settled within the first 15 calendar days of the immediately following month. Jurisprudence understands that this payment refers to the physical remittance of the funds.
Tariffs are as follows:

<table>
<thead>
<tr>
<th>Rate</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.5%</td>
<td>Transportation and communications.</td>
</tr>
<tr>
<td>10%</td>
<td>Pensions, old-age pensions, salaries and any other remunerations resulting from work personally performed under subordinate conditions.</td>
</tr>
<tr>
<td>15%</td>
<td>Fees, commissions, stipends and other payments for personal services performed without any work relationship.</td>
</tr>
<tr>
<td>5.5%</td>
<td>Reinsurances, re-securing, and insurance premiums of any type.</td>
</tr>
<tr>
<td>20%</td>
<td>Use of motion pictures, movies for television, recordings, playing records, comic strips and, in general, any similar diffusion of images or sounds including the use of international news broadcasts.</td>
</tr>
<tr>
<td>50%</td>
<td>Radio and television soap operas.</td>
</tr>
<tr>
<td>15% ó 5%</td>
<td>Profits, dividends, or company participations as stated by Articles 18 and 19 of this law.*</td>
</tr>
<tr>
<td>15%</td>
<td>Commercial leases.</td>
</tr>
<tr>
<td>15%</td>
<td>Any payments based on interests, commissions, and other financial expenses.</td>
</tr>
<tr>
<td>25%</td>
<td>Technical advice – financial or of any other type – (including administrative advice), as well as for payments relative to the use of patents, forms supplies, trademarks, privileges, franchises, and royalties.</td>
</tr>
<tr>
<td>30%</td>
<td>Any other remittance of income of Costa Rican source as set forth in Articles 49 and 50 of this law not previously provided for.**</td>
</tr>
</tbody>
</table>

* The treatment of dividend distribution to non-resident persons is matched to the one applied to residents as discussed in paragraph 2.1.2 of the available income tax.

** With the entirely reform of the Law No. 8634, “Banking System for the Development and Reform of other Laws Act” which came into effect on May 28th, 2015, the interests, commissions and other financial expenses paid or credited by natural persons or legal entities domiciled in Costa Rica to foreign banks that are part of a Costa Rican group or financial conglomerate regulated by the National Council for Supervision of the Financial System (“CONASSIF”) will pay a five point five percent (5.5%) fee during the first year of effect of this Law; during the second year they will pay a nine percent (9%); during the third year they will pay a thirteen percent (13%), and from the fourth year onwards they will pay a fifteen percent (15%) of the amount paid or credited. The rate is 0% when the creditor is a bank or bilateral or multilateral agency of development.

**Tax Treatment of the Exchange Differential**

Article 81 of the LIR establishes that all taxpayers obliged to pay taxes as the result of entering into operations, or otherwise receiving income in a foreign currency which affects the determination of taxable income should convert this currency into the national currency according to the exchange rate established by the Central Bank of Costa Rica (applicable at the moment of undertaking operations or that of receiving the income). All pending operations or income not received by September 30 of each Fiscal Year will be estimated at the exchange rate as fixed by the Costa Rican Central Bank up to the relevant date.

Some recent resolutions of the General Directorate of Taxation establish that the exchange difference on passive accounts is subject to income tax; however, recent jurisprudence issued by the First Chamber of the Supreme Court of Justice, has changed the criteria regarding that only those items that have been performed within the respective fiscal period will be taxable.
Other Matters Related to Income Tax

**Transfer Pricing**
On September 13, 2013, the Executive Decree N° 37898-H: Transfer Price Provisions (Disposiciones sobre Precios de Transferencia) was published in The Gazette (La Gaceta) No. 176. This new group of norms was created to resolve the legal vacuum that existed in this area for many years. With the issuing of this decree, local businesses must use OECD principals to determine the method used for transfer prices applicable to their operations, taking prices established between unrelated parties as a reference for prices agreed on by related companies.

Such legislation is applicable for the purposes of supporting its operations and the income tax declaration, however, the Administration has not yet issued a resolution on the delivery of the informative statement of this matter.

**Undercapitalization Rules**
The Costa Rican tax laws do not provide for specific undercapitalization rules. A reform to address this issue has been proposed.

For financial purposes there are prudential rules issued by Financial Entities General Superintendence (SUGEF, in Spanish) in regard to undercapitalization but it does not affect the tax treatment of companies in Costa Rica.

**Sales Tax**
Sales tax (ST) is levied at a rate of 13%, and it is calculated based on the sales price of all products, as well as on a determined and definite list of services. Exceptions to the applicability of this law include a series of products established in the Bylaws. Tax exempt products include the so-called "basic basket" (groceries and basic articles for the home); human and veterinarian medicines; agricultural, cattle-raising, and fishing implements; tools and other basic articles (fertilizers, plants, seeds, etc.); educational materials (notebooks, books, pencils, etc.); and miscellaneous articles (power consumption under 250 KWh, etc.).

Services subject to tax payments (by exception) include restaurants; bars, nightclubs, and social clubs; hotels and other lodging means; motor vehicles, repair shops, and parking lots; telephone, cable, and telex; photography; customs deposits; dry cleaning; public events except sports, theaters, and movie theaters for children; advertisements; customs services; real estate services; and international moving activities.

Taxpayers may only recover the ST by means of credit since cash reimbursements are not allowed. Credit may only be applied in the month corresponding to the tax payments on articles and services. In the event tax credits are not applied correctly, the taxpayer must demand reimbursement of the corresponding amounts in a specific request. No automatic compensation of credits for previous taxes is available. However, an excess amount of ST may be transferred to the following balance sheet to compensate ST obligations of the same taxpayer.

Additionally, there is a consumption tax, called the Selective Consumption Tax, which is applied to products that are considered “non-essential,” and which are compiled in an official list. The rate varies between 1% and 95%, and is calculated based on production price or on importation. It is part of the cost and is not transferred during the following stages of commercialization.

The other taxes are specific, extraordinary, and based on consumption of certain merchandise and whose tariffs or rates are set forth in different laws. Such tax burdens fall mainly on alcoholic beverages, beer, and cigarettes. There also are taxes on fuels, casinos, gambling tables, automobiles, certain non-alcoholic bottled beverages, and toilet soaps.
**Tax on legal entities**
This tax was in force for the periods from 2012 to 2015 through the Law №9024 from December 2011 and it was suspended through the resolution №2015-001241 from January 2015 that was issued by the Constitutional Chamber of the Supreme Court of Justice.

The tax was established once again through the Law №9428 Tax to Legal Entities from March 22nd, 2017 and it has been in force since September 1st, 2017.

The chargeable event of the tax would be that the legal entity subject to tax is registered in the National Registry on January 1st of every year or with the presentation of the registration of one of them in the National Registry.

Tax fee is 15% of a base salary (which, in 2018, is 431.000 CRC Colones) for trading companies, as well as for all branches of foreign companies or their representatives and individual companies of limited responsibility, registered in the National Registry, but that are not declarants or taxpayers of the General Directorate of Taxation.

The tax fee for the taxpayer legal entities that have declared the gross income in the previous fiscal period equivalent to base 280 or more is of 50% of a monthly basic salary. For taxpayers who have declared gross income in the previous fiscal period from 120 to 280 basic salaries applies 30% of a monthly base salary. It is 25% for those with gross income under 120 base salaries in the rent tax.

**Real Estate Taxes**

*Transfer Tax*
When performing any legal transaction whereby a piece of real estate is transferred, a transfer tax will apply whose rate is 1.5% of the value of the property according to the public registry.

The reference value shall be the market price. This agreement must be documented with a notary public by means of a public deed of transfer and thereafter recorded within the National Registry. However, the Tax Administration is authorized to adjust the declared value based on background elements such as prior appraisals, banking information, real market price per zone, similar regional real estate sales prices, the price index established by the Central Bank of Costa Rica, mortgages (if any) recorded in the transfer instrument, and other applicable factors.

With a reform to the law that regulates this tax in September 2012, the indirect transfer of the properties is levied with this tax, which means that any legal business that implies the transfer of power over the control of a legal entity that owns the property

Sellers and buyers are the taxpayers in equal parts, who for tax purposes are jointly and severally liable. Payment of the tax must be made in a single act by way of the settlement of a charge, within the month following the execution of the transfer.

Entrusted real estate properties are exonerated from the transfer tax. Once the trustee transfers the entrusted property to a third party other than the original trustee, all charges and transfer duties and taxes must be settled in full, as must any other applicable charges.

Además, hay que tener en cuenta que si el inmueble se encuentra dentro de la zona marítima-terrestre, se debe obtener previamente una concesión para el uso de la tierra. En tal caso, el titular de la concesión será responsable del pago del arrendamiento al municipio.

*Real Estate Taxes (Territorial Taxes)*
Municipal governments are authorized to collect and manage taxes on real estate properties.

Plots or pieces of land, including the premises or fixed and permanent constructions existing there, are subject to said tax. The tax will be calculated based on the value of the real estate property as registered with the Tax Administration Office, up to January 1 of the corresponding year. Throughout the country the applicable tax is 0.25% of the taxable base. This tax is levied on an annual basis and it is charged annually, biannually, or in four quarterly installments, as defined by each municipality.

In addition, note that if the real estate property is located within the maritime-land zone, a concession must have been previously granted for the use of the ground. In such case, the holder of the concession will be liable for settling the applicable lease payments to the municipality.
Solidarity Tax
Objects of the Tax: Real estate of residential use such as housing, apartments or condominiums, as well as any recreational areas these may have such as swimming pools, gyms, gardens, and sporting facilities among others, which are located within properties registered or unregistered in the General Tax Administration or Public Register real estate data bases.

Chargeable Event: Property or the title of a right of use and enjoyment of real estate as described on January 1 of each year

Taxable Persons: Natural or legal persons, collective entities lacking legal personality, owners, usufructuaries or licensees of the real estate described.

Taxable Base: The tax value of the real estate in accordance with the appraisal criteria established by the General Tax Administration.

The declared taxable base may be determined:
• Automatically
• By self-determination
• By debt determination- auditing on behalf of the General Tax Administration-

Exemptions
• Real estate belonging to the Central Government and municipalities.
• Real estate belonging to public institutions, county or educational administrative boards and public health institutions.
• Real estate that is declared historical heritage.
• Real estate declared to be of social interest by the Banco Hipotecario de la Vivienda (the Housing Mortgage Bank).
• Real estate belonging to churches and religious organizations, but only that which is dedicated to religious use; additionally, real estate grounds belonging to the Catholic Church, the Costa Rican Episcopal Conference, the Archdiocese, and the country’s diocese.
• Real estate belonging to Incae, Earth, Catie, and Universidad para la Paz (University for Peace).
• Diplomatic missions, diplomatic residences and consulates.

Registration
The tax payer enrolls and declares by using form D-179, called "Solidary Tax Affidavit".

Tax Return
• Filed every three years within the first 15 calendar days of January.
• The first tax return is to be filed within the first 3 months of the law coming into effect.
• How to file a tax return:
  - Proprietors of adjoining real estate group together in a single tax return and make up a single residential unit.
  - Real estate in condominium should include the proportional value of common areas.
  - For apartment buildings, proprietors should file separate tax returns for each unit.
• Filing and payment are done electronically through Digital Taxation.

Other Relevant Issues
• The tax is NONDEDUCTABLE for income tax purposes. Art 13 of the Law.
• Appraisals from previous years are not binding for the determination of the taxable base, as mechanisms exist which have been established by the General Tax Administration to determine the construction value and the land value.
• The exchange rate shall be that current on January 1 of each year in accordance with the value determined by the method established by the General Tax Administration. It is important to note that the calculation tool used by the General Tax Administration uses Costa Rican Colones.
• The tax applies to construction and land in proportion to construction, which is to say, the space occupied in residential use including fixed installations such as recreational areas, swimming pools, sporting installations, pergolas or shade houses, access paths, and parking areas.
• The real estate property tax established in Law 7509 collected by Municipalities is a separate tax, with this being an obligation which is neither substituted nor replaced by this new tax.
Municipal Taxes

General Information
The developing company must request licenses related to operational activities from the municipalities. Requests for permits related to building works, health matters, water, electric power, zoning, ground use, authorization of plans, and patents are made to local governments.

Some of the taxes collected by the Municipalities are:
- Waste management and collection
- Cleaning of public spaces
- Sewage and drain systems
- Electric lighting
- Public parks
- New infrastructure
- Roads
- Taxes on timber
- Taxes on works performed
- Building taxes
- Taxes on the sales price of cement
- Municipal Stamp Taxes on real estate transactions
- Lease payments on maritime-land zones are 2% if used for farming-stock breeding, 3% if used as a home, 4% if used as a hotel or for tourism and recreational use, and 5% for commercial, industrial and mining use.

All taxes, tariffs, and special contributions, as well as the procedures to follow, vary depending on the municipality. A specific study should be carried out in each municipal office. For example, some municipalities charge environmental taxes while others do not.

Municipal Licenses (Patentes)
Taxes on licenses are of a local nature and are ruled by special laws applicable in each one of the 81 municipalities across the country. There is no law of a general nature ruling their application.

In principle, the performance of any and all lucrative activities triggers patent taxes. For the application of said tax, in general, municipalities have divided lucrative activities into five groups: a) agricultural; b) commercial; c) industrial; d) miscellaneous; and e) consumption of national and foreign alcoholic beverages. Some municipalities have adopted a system wherein the amount is determined by the net taxable income and gross income according to a pre-established table. Others follow the gross sales concept.

In regard to the determination of the taxpayer of this tax, there are different types of patents with different taxes that are as a result of the taxpayers’ activities. Certain people must bear a tax burden depending on the activities they perform.

Calculation of taxes or municipal licenses varies depending on the law of each canton. Regardless of the main applicable tariff, each municipality uses a different method to perform the calculation of the patent or license. There are two predominant calculation methods: the simple and the composed systems.
Obligations on the part of the investor - employer and rights of the employe.

Costa Rican labor regulations are mainly laid out in the Labor Code that has been in force and since 1943. However, in past years important amendments have been implemented on certain subject matters so as to comply with the demands of the new global market, as well as recent tendencies in labor laws.

In addition to the Labor Code, there are numerous legal norms and jurisprudence that set regulations for things like the "thirteenth month" bonus, social security, and sexual harassment provisions, among others.

Additionally, companies may implement their own sets of rules by performing certain internal policies and issuing manuals specifying and dealing with certain relevant issues. This also includes agreements with their labor force and unions.

Rights and Obligations resulting from the Labor Relationship

The Labor Agreement

Characteristics and Elements

Labor agreements in writing should provide, at least, the following formalities:

- Full name, citizenship, age, gender, civil status, and address of the parties.
- Personal identification number or any other documentation identifying the parties.
- Employee’s accurate address if performing his or her obligations away from his regular place of residence; otherwise, a general address will suffice.
- Length of job or an indication stating the type of labor contract.
- Work hours, indicating the number of hours to be worked.
- Type of remuneration stating its calculation basis and the payment location.
- Place where work is performed.
- Other stipulations both parties agree upon.
- Place and date of the execution of the contract.
- Signatures of the parties.

In the case of underage employees from 15 to 18 years old, special legislation applies.

It is not mandatory for labor agreements to be in writing, although it is recommended since it is important to document any and all commitments and conditions of the labor relationship in order to reject any liability claims in the future.

Workday and Schedule

Costa Rican laws provide various types of shifts in work days:

1. Ordinary work hours which may be performed in the three different shifts

a) Day shift: This work day may be implemented from 5:00 a.m. to 7:00 p.m., and there is a maximum limit of 8 hours daily and 48 hours weekly. However, in jobs that are not of a dangerous or unhealthy nature, the 48 weekly hours could be accumulated in a manner such that they are worked in fewer days, although the daily shift cannot exceed ten hours of effective work at a time.

b) Night shift: This work day goes from 7:00 p.m. through 5:00 a.m., for a maximum limit of six hours per shift and 36 hours per week. However, accumulation of hours is not permitted regardless of whether or not the relevant work is unhealthy or dangerous.

c) Mixed shift: The mixed shift is the one occurring during day and night shift hours; it has a maximum limit of seven hours per shift. It can be expanded to eight hours in the cases where the work is not unhealthy or dangerous, and may reach a maximum of 48 hours per week. However, any mixed shift overlapping on a night shift for more than 3,5 hours will be categorized as a Night Shift.
2. Extraordinary work hours
• Hours worked that exceed the ordinary shifts are considered overtime work. Wages received by the employee during such overtime shifts are increased by 50% over the regular payment. The time used by the employees to fix their mistakes during the ordinary shift is not considered overtime work hours. Overtime hours cannot exceed 12 hours, when added to the ordinary work hours.

• Lastly, both the law and case law stipulate that any expansion of an ordinary work day must be due to the company’s exceptional circumstances, so that an overtime work day is not used in a way that permanently expands the regular work day.

Exceptions to the ordinary workday limits
Some workers are not necessarily bound by the hourly limitations on the workday rules stated above. These may include managers, administrators, representatives, all those employees who work without higher or immediate supervision, agents, those that hold positions of trust, and similar employees whose work performance is not carried out within the company’s premises. These individuals may not be subject to the work day system due to the nature of their obligations.

However, these persons are not committed to remain in their jobs more than twelve hours per day and will have the right, within said time span, to take minimum breaks of up to one and a half hours. Time worked in excess of this is classified as overtime.

Breaks at work during the ordinary schedule
Continuous workdays are considered "effective work time", which includes breaks that do not exceed one hour. The workday may also be divided on a fractional basis, whereby workers receive breaks equal to or over one hour; these additional breaks are not considered "effective work time" for the purpose of calculation of extra hours or compensation benefits.

Days of Rest
Costa Rican laws provide that all workers have the right to enjoy a full rest day after six days of continuous work. Such days will be given to those employees earning a monthly or a bi-monthly salary.

In exceptional cases and due to serious needs of the employer requiring employees to work during their rest-day, employees will receive twice their regular pay.

Holidays
There are two types of holidays:
• Paid holidays (mandatory)
January 1st; April 11th; Thursday and Friday of Easter Week; May 1st; July 25th; August 15th; September 15th and December 25th.

• Non-paid holidays (optional)
August 2nd and October 12th.

In the event that October 12 falls on Tuesday, Wednesday, Thursday or Friday, employees will work regularly and the holiday will be taken on the immediately following Monday. However, for companies that have substantial work on Saturdays and Sundays or which cannot stop work on Mondays, employees will receive the day off on a day agreed upon with employer provided, however, that such day off is taken within a term not exceeding fifteen days from the date of the holiday.

In some specific cases, the employer may order employees to work on holidays. In these cases, if it is a mandatory paid holiday, the employee will have the right to receive twice the salary for that day. If it is an optional paid holiday, the work performed by the employee on that specific day will be paid on an ordinary basis.

Vacation Time
Employees are entitled to a minimum of two-weeks of paid vacations for every fifty weeks of continuous work with the same employer. If the work relationship terminates prior to completing fifty weeks, the employee should receive vacation payment equal to one workday for each month worked.

Medical Disabilities
Pursuant to case law, in the event the employee is unable to work due to medical reasons, the employee will receive 50% of his salary during the first three days of the disability period. This will be paid for by the employer and, starting on the fourth day, the social security system will pay the employee a "disability allowance."

When an employee must leave his or her workplace due to a labor accident or professional disability, the Costa Rican National Insurance Institute will cover 75% of employee’s salary during the time of disability.
Maternity Leave
Female employees are entitled to salaried maternity leave during the month prior to delivery and for three additional months thereafter. During the pregnancy, the employer is prohibited from terminating the female employee, unless a grave offense has been discovered under local regulations (this termination, however, should be authorized by the labor authorities).

During the maternity leave period, the employer will pay 50% of her salary and the Social Security System will pay the remaining 50%. However, a proposal is currently under analysis in Congress, whereby 100% of the benefit would be entirely covered by the Social Security System.

"Thirteenth Month" Bonus (Aguinaldo)
The thirteenth month bonus is an additional payment to the salary paid to employees by their employer. This bonus is paid within the first twenty days of the month of December of each year.

The bonus is calculated from an average of all ordinary and overtime salaries received by employee during the period from December 1 of the previous year through November 30 of the year of payment.

If the payment is compliant with the above-mentioned rules, the thirteenth month is not subject to taxation or social contributions.

Any termination must include a payment covering a portion of the thirteen month bonus. The payment must be proportional to the period corresponding to the months in which the terminated employees rendered their services.

Salaries
Costa Rica has a competitive labor market that forces employers to pay higher salaries than the minimum salaries set forth by law. Hence, each company may design and implement its own salary policies, within the parameters dictated by law.

The National Salaries Council issues a Decree on Minimum Salaries on a yearly basis. The Council is comprised of representatives from the labor sector, the private sector, and the Government. The Decree will indicate the cost of living index which will be in place starting on January 1 of the following year. Notwithstanding the above, during recent years the review on minimum wages has been carried out on biannually.

Once the Decree is published, it is the obligation of all employers of the private sector to increase the salaries for all those employees who earn the minimum salary. The salary must be increased by the percentage defined by the Council. It is not obligatory for salaries to surpass this amount, although it is common practice for many in-house norms and policies to increase salaries by at least the minimum rate.

As an example, the currently applicable Decree of Minimum Salaries for the second half of 2016 was published on June of 2016. It defined the following minimum monthly salaries for generic categories (in Costa Rican currency):

<table>
<thead>
<tr>
<th>Category</th>
<th>Monthly salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-qualified workers</td>
<td>₡300,255.79</td>
</tr>
<tr>
<td>Semi-qualified workers</td>
<td>₡323,028.23</td>
</tr>
<tr>
<td>Qualified workers</td>
<td>₡339,572.06</td>
</tr>
<tr>
<td>Mid-level technicians with diversified education title</td>
<td>₡355,854.32</td>
</tr>
<tr>
<td>Specialized workers</td>
<td>₡381,355.61</td>
</tr>
<tr>
<td>Higher Education technicians</td>
<td>₡438,542.68</td>
</tr>
<tr>
<td>Higher Education with Diploma</td>
<td>₡473,642.47</td>
</tr>
<tr>
<td>University Bachelor’s degree</td>
<td>₡537,222.66</td>
</tr>
<tr>
<td>University &quot;License&quot; degree</td>
<td>₡644,689.30</td>
</tr>
</tbody>
</table>
**Complementary Benefits**

Frequently, companies provide employees with additional benefits that are not established by law. They can vary, but some common examples include subsidized transportation and/or food allowances, uniforms, medical services, study scholarships, and others. Some of these benefits are subject to taxes and social security charges if considered to be given as payment-in-kind. This rule may vary in the case of expatriates with temporary assignments, in terms of their contributions to the social security system.

**Severance Payments**

The labor agreement may terminate for any of the following reasons: resignation, death, retirement, dismissal with responsibility of the employer, dismissal without employer responsibility, and by the mutual agreement of both parties.

Severance payments at the end of the labor relationship will depend on particular circumstances. For example, in cases of advance notice, either party may terminate the labor agreement for no particular reason provided the other party is given notice, pursuant to the following rules:

- After a continuous work relationship not under three months or more than six months, notice must be submitted one week prior to termination;

- After a continuous work relationship exceeding six months but under a year, notice must be submitted fifteen days prior to termination; and

- After one year of continuous work, notice must be submitted a minimum of one month prior to termination.

Prior notice may be omitted by the employer by agreeing to pay an amount equal to the salary applicable in each one of the above stated cases. This settlement is available in the following cases: when the employee is dismissed without just cause, when the employee dies, when the employee retires, or when the employee resigns for reasons attributable to the employer.

Payment will be computed according to the length of time worked by the employee, taking as a reference the average salary of the previous six months and pursuant to the following rules:

- After continuous work not under 3 months and not more than 6 months, an amount equal to 7 days’ salary;

- After continuous work above 6 months but less than 1 year, an amount equal to 14 days’ salary;

- After continuous work more than 1 year, an amount equal to a salary as stated in the following table:

<table>
<thead>
<tr>
<th>Severance</th>
<th>Years worked</th>
<th>Severance Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>19.5 days</td>
<td>per year worked</td>
</tr>
<tr>
<td>2</td>
<td>20 days</td>
<td>per year worked or a</td>
</tr>
<tr>
<td></td>
<td></td>
<td>fraction thereof above</td>
</tr>
<tr>
<td></td>
<td></td>
<td>six months</td>
</tr>
<tr>
<td>3</td>
<td>20.5 days</td>
<td>per year worked or a</td>
</tr>
<tr>
<td></td>
<td></td>
<td>fraction thereof above</td>
</tr>
<tr>
<td></td>
<td></td>
<td>six months</td>
</tr>
<tr>
<td>4</td>
<td>21 days</td>
<td>per year worked or a</td>
</tr>
<tr>
<td></td>
<td></td>
<td>fraction thereof above</td>
</tr>
<tr>
<td></td>
<td></td>
<td>six months</td>
</tr>
<tr>
<td>5</td>
<td>21.24 days</td>
<td>per year worked or a</td>
</tr>
<tr>
<td></td>
<td></td>
<td>fraction thereof above</td>
</tr>
<tr>
<td></td>
<td></td>
<td>six months</td>
</tr>
<tr>
<td>6</td>
<td>21.5 days</td>
<td>per year worked or a</td>
</tr>
<tr>
<td></td>
<td></td>
<td>fraction thereof above</td>
</tr>
<tr>
<td></td>
<td></td>
<td>six months</td>
</tr>
<tr>
<td>7</td>
<td>22 days</td>
<td>per year worked or a</td>
</tr>
<tr>
<td></td>
<td></td>
<td>fraction thereof above</td>
</tr>
<tr>
<td></td>
<td></td>
<td>six months</td>
</tr>
<tr>
<td>8</td>
<td>22 days</td>
<td>per year worked or a</td>
</tr>
<tr>
<td></td>
<td></td>
<td>fraction thereof above</td>
</tr>
<tr>
<td></td>
<td></td>
<td>six months</td>
</tr>
<tr>
<td>9</td>
<td>22 days</td>
<td>per year worked or a</td>
</tr>
<tr>
<td></td>
<td></td>
<td>fraction thereof above</td>
</tr>
<tr>
<td></td>
<td></td>
<td>six months</td>
</tr>
<tr>
<td>10</td>
<td>21.5 days</td>
<td>per year worked or a</td>
</tr>
<tr>
<td></td>
<td></td>
<td>fraction thereof above</td>
</tr>
<tr>
<td></td>
<td></td>
<td>six months</td>
</tr>
<tr>
<td>11</td>
<td>21 days</td>
<td>per year worked or a</td>
</tr>
<tr>
<td></td>
<td></td>
<td>fraction thereof above</td>
</tr>
<tr>
<td></td>
<td></td>
<td>six months</td>
</tr>
<tr>
<td>12</td>
<td>20.5 days</td>
<td>per year worked or a</td>
</tr>
<tr>
<td></td>
<td></td>
<td>fraction thereof above</td>
</tr>
<tr>
<td></td>
<td></td>
<td>six months</td>
</tr>
<tr>
<td>13 or more</td>
<td>20 days</td>
<td>per year worked or a</td>
</tr>
<tr>
<td></td>
<td></td>
<td>fraction thereof above</td>
</tr>
<tr>
<td></td>
<td></td>
<td>six months</td>
</tr>
</tbody>
</table>

The upper limit for determining the dismissal is eight years previous to the moment of dismissal.
How to do business in Costa Rica?

Investor’s guide 2018

Contributions to Social Security
Costa Rica has a mandatory social security system providing health insurance for medical attention and disability, old age, and death pensions. Contributions to the Social Security System for dependent employment relations are as follows: An employer must contribute 26.33% above the employee's gross salary and withhold 9.34% from the employee's salary. Both contributions are reported and paid on a monthly basis to the Social Security System.

Additionally, the Social Security System offers plans for voluntary and mandatory contributions for independent contractors applicable to: 1) individuals not earning income but who receive a rent linked to Costa Rica (for example, housewives and students); and 2) independent professionals or other individuals generating their own income with no associated employer.

Trial Period
There is no specific provision in Costa Rica relating to a trial period. However, since indemnifications are only acknowledged after the third month of the labor relationship, it is then construed that during the first three months any of the parties may terminate the agreement with no liabilities associated for either the employer or the employee. Although this is understood in practice as a trial period, for legal purposes, it must be clarified that the labor agreement starts from the first day of labor.

Solidarity Associations
General Information
Despite the fact that a significant percentage of the public sector is part of different labor unions, in the private sector unions represent a very small percentage of the national labor force, around 2% to 3%. As an alternative, there are various workers' organizations called "solidarity associations," which offer benefits such as a system of loans and saving plans, among others. Employers are accepted as members along with the employees, and their purpose is to avoid adversary confrontations by means of mutual support and conflict resolution.

Organization
Solidarity associations are headed by a Board of Directors which elects the employees’ assembly. Some courses, seminars, and training are commonly offered to its members in areas such as human relations, human rights, training for leaders, and solidarity and democratic principles.

Loans and Services
Solidarity organizations serve as organizations that grant their associates some services and credit at very low interest rates for things like housing, education, medical expenses, cafeteria services, funeral services, laboratory exams, and the company doctor and dentist.

Interest collected from loans and investments are distributed, at year’s end, among the associates according to the amounts saved.

Current trends in regard to compensation packages in Costa Rica

Fixed Salary
While this component is found in almost all salary structures in the country, lately many companies are moving toward lower percentages in regard to this component (from 100% to between 80% and 60%, according to position).

Variable Salary
The variable remuneration options may be classified into two groups:

- Short term variable remuneration: Commissions for sales areas; executive bonuses (one to three times a year, usually referred to as a monthly pay); programs or plans to participate in the profits and/or in the results; incentives as a result of an increase in skills or knowledge; bonuses for key people; and incentives linked to projects.

- Long Term Variable Remuneration: Bonuses with long term payments linked to results and share participation.

In the specific case of executive positions, bonus payments for the achievement of results are more usual than receiving stock options as a benefit.

Non-monetary Benefits
Among other things, some examples of those benefits include: training abroad; a company car or leasing and parking services; additional vacation time; a company doctor/medical check-ups; uniforms; scholarship programs; recreational benefits; cellular phone bill payment; financial assistance (housing, automobiles, portables); insurance plans; and food subsidies.

Source: Deloitte Costa Rica.
About Deloitte

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As of June 1, 2005, Deloitte Costa Rica was integrated to the regional organization called LATCO. This organization comprises several Latin American countries and has a staff of approximately 6,900 people. This initiative has promoted a new stage in the development of activities at Deloitte to better serve our clients and generate further and greater opportunities for our people.

Our regional approach has proven to be successful. Our solutions are truly regional, which benefits our Clients by adding value to their businesses throughout Latin America. We have operations in many countries here including Argentina, Bolivia, Uruguay, Peru, Ecuador, Venezuela, Colombia, Paraguay, Panama, Guatemala, El Salvador and Costa Rica.

In addition, the Costa Rica Office was proud to be chosen as the representative and coordinator for Deloitte’s Central American Cluster, which encompasses Nicaragua, the Dominican Republic, and Honduras.

Deloitte Costa Rica
As a member firm of Deloitte Touche Tohmatsu Limited, since 1964 Deloitte Costa Rica has provided services to both national and multinational companies, as well as to public entities, nonprofit organizations, and fast-growing initiatives. Our firm has been continuously and uninterruptedly growing and, to this date, we have more than 680 professionals working within our Firm.

Our Firm’s philosophy and work ethic is to provide professional services of the highest quality and be acknowledged as the leading Firm in the fields of Auditing, Management Consulting, Outsourcing, Risk Advisory, Tax & Legal, and Financial Consulting in Costa Rica. For this reason we go beyond borders to provide our Clients with the quality results and personalized attention that characterize our services.

Our clients have immediate access to the vast accumulated experience of our professionals, who work to provide solutions to your concerns in each of our service areas. As a truly global firm, we are able to work as one with our offices worldwide in order to help our clients implement projects that require the cooperation of our specialized international departments.
Our Firm

Deloitte is present in the market with a multidisciplinary approach for each industry. Its deep understanding of the specific issues facing each sector allows it to offer expert responses.

The multidisciplinary capacity and focus to industries give Deloitte the possibility of bringing the most relevant expertise to the particular needs of the client.

The variety of services provides Deloitte the ability to solve complex business situations from different angles and diligent solutions.
Our Services
From small details to big opportunities

Given the complexity of the business environment today, the stone left unturned could very well be the one that trips you up. That’s why it’s so important to examine opportunities and challenges from every angle — accounting, assurance and advisory, risk, tax & legal, strategy, financial, technology and human capital — and that’s just what we help clients do.

Our teams work under the leadership of a lead client service partner to help businesses uncover opportunities and manage risks in ways that help their management create more value every step of the way.

A summary of the services we offer are as follows:

Audit & Enterprise Risk Services
In both challenging and favorable economic conditions, organizations strive to be smart, nimble, creative, and forward thinking. Deloitte brings a business mindset combined with deep technical knowledge and extensive industry experience to assist clients to address business issues across the broad spectrum of accounting, financial instrument valuation, security and privacy, governance, process improvement, data analytics, and risk advisory disciplines.

Deloitte’s Audit & Enterprise Risk Services help organizations build value by taking an intelligent approach in the management of financial, technology and business risks. This approach helps our clients focus on their areas of increased risk, bridging silos to effectively manage risk across organizational boundaries and seek not only risk mitigation, but also take strategic risks as a means to value creation.

Tax
Deloitte offers clients a broad range of fully integrated tax services. Our approach combines insight and innovation from multiple disciplines with business and industry knowledge to help your company excel globally, including international taxation analysis and compliance strategies.
Consulting
As the world’s largest management consulting firm, we help organizations build value by uncovering insights that create new futures and doing the hard work to improve performance.

Delivering this kind of value requires a broad range of talent and capabilities – across human capital, strategy & operations, and technology – and, more importantly, aligned to the unique needs of specific sectors, businesses and organizations.

Our clients look to us for the ability to implement the ideas we present. They expect excellent performance that draws upon our breadth of industry and service experience. Simply put, we provide our clients with world-class insights that generate tangible and measurable impact.

Legal
Deloitte member firms have a long-standing reputation for helping clients to address complex, cross border issues. Skilled and experienced Deloitte Legal attorneys work together with other Deloitte professionals in tax, consulting, and financial advisory to guide you through your project in a coordinated way around the world. Deloitte Legal is able to provide holistic guidance around strategic business decisions as well as offer support services that can increase efficiency and reduce the cost of some routine legal activities.

We offer legal services in the following areas:
- Commercial law solutions
- Corporate and M&A solutions
- Employment and pension solutions
- Regulated industry solutions
- Tax controversy solutions

Financial Advisory
Deloitte provides assistance to companies faced with opportunities for growth such as a merger or acquisition, or critical challenges such as fraud, litigation or reorganization. Our experienced practitioners have extensive business knowledge and compliance know-how along with access to a global network of industry specialists from Deloitte member firms and their affiliates. Our tested team of professionals serves companies throughout the business lifecycle, helping them in their efforts to emerge stronger and smarter.

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Deloitte makes its clients’ main business activity its priority, through its outsourcing services based on the "Business Process Solutions" (BPS) concept. The goal is to assist in all support activities from accounting to the administration of finances and personnel.

BPS Practice strives to make our client’s Outsourcing process as seamless as possible by leveraging solutions that integrate strategy consulting, program management, change management, human capital, tax, real estate, and global sourcing.
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