



## Setting up a Business in Costa Rica

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A company must meet the following requirements in order to operate in Costa Rica:

- Incorporate the company in the Public Registry
- Register with the General Income Tax Office (*Dirección General de Tributación*) as a tax paying entity with economic activities in the country
- Register as an employer with the Costa Rican Social Security Administration (*Caja Costarricense de Seguro Social*) and the National Insurance Institute (*Instituto Nacional de Seguros*)
- Request a permit to operate from the Ministry of Health
- Request a Municipal License (permit to operate a business)
- Undergo the environmental impact evaluation process of SETENA (National Environmental and Technical Secretary)

## Incorporation of a Company in Costa Rica

The most common form of incorporation is the Sociedad Anónima (S.A.). The by-laws must be recorded in a notarized public instrument and registered in the Public Registry. The Registry will then provide an identification number (cédula jurídica). The Law requires a minimum of two (2) people to register the corporation. After the incorporation, the number of shareholders may be reduced or increased, with NO limitations as to the nationality.

Registration procedures usually last at least four weeks. Shell companies can be used in case of immediate application.

### ***Basic Features of Corporations in Costa Rica***

The corporation is managed by a Board of Directors of no less than three members, President, Secretary and Treasurer, who do not need to be shareholders (there are no citizenship or residency requirements). No one person can hold two office positions.

The President of the Board legally represents the corporation, as well as any other member specified in the charter. They are able to delegate all or some of their power to other members of the Board if the charter permits. They may also appoint one or more managers.

One half of the members of the Board are required for meetings and a majority of those present to hold a resolution. The President has two votes in case of a tie.

The company must have a Resident Agent, normally an attorney with an office in Costa Rica. The Resident Agent must be registered in the Public Registry and will be in charge of receiving all legal notifications.

### ***Registering a Branch in Costa Rica***

Foreign corporations which have or intent to open branches in Costa Rica are required to appoint, maintain, and register a legal representative agent vested with full powers of attorney in the country for the business affairs of the branch.

### ***Registering a representative with full powers of attorney***

An unlimited power of attorney authorizes a person to act on behalf of a company. It must be given by a representative of the parent company with sufficient power, before a Costa Rican Public Notary or the local Costa Rican Consulate.

## **General Income Tax Office (*Dirección General de Tributación*)**

The General Income Tax Office is part of the Ministry of Treasury. Every person or entity that performs one or more economic activities in the country must register as a taxpayer.

The procedure is executed at the Tax Administration offices.

## **Costa Rican Social Security Administration (Caja Costarricense de Seguro Social - CCSS)**

According to the Costa Rican law, the employer must contribute to the social security regime of its employees with a fixed percentage of the employees' salary. The employee must also contribute a fixed percentage of their salary.

Therefore, the company must first be incorporated as an employer with the CCSS; this can be done at the central office or any of the regional offices of the CCSS. The company's incorporation as an employer and the registration of its employees must be done within the first eight days after hiring its employees.

The CCSS also collects other obligatory contributions, as detailed in the following table:

Mandatory Benefits	Employer Contribution	Employee Contribution
	Monthly percentages	
Social Security		
- Health and Maternity Benefits	9.25%	5.50%
- Disability, Old Age and Death Benefits	4.75%	2.50%
Family Allowances (Welfare benefits)	5.00%	----
INA (National Training Institute Tax)	1.50%	----
Banco Popular (Workmen´s Compulsory Savings Bank)	0.50%	1.00%
IMAS (Eradication of Extreme Poverty)	0.50%	----
Worker Capitalization Fund	3.00%	----
Compulsory Complementary Pension	1.50%	----
<b>Social Charges</b>	<b>26.00%</b>	<b>9.00%</b>

## National Insurance Institute (Instituto Nacional de Seguros)

To conform to the Costa Rican Labor Code, the employer must secure an occupational risk insurance policy for its employees. For this, the employer has to underwrite a policy from the National Institute of Insurance (INS). The policy has to be underwritten at the beginning of the operation and has to be in force during the operation.

To underwrite an occupational risk policy, the applicant has to go to the Central Office or a branch of the INS, a commercial Insurance Agency or an authorized Insurance Agent. At the moment the policy is underwritten, the company will be automatically registered as an employer at the INS.

Once the policy is underwritten, the employer has to remit to the INS on a monthly basis a status of the forms indicated: names of the workers, days and hours worked and the salaries paid.

## Ministry of Public Health – Operation Certificate

In accordance with the General Health Law, companies must request authorization, or an Operation Certificate, from the Ministry of Public Health prior to the initiation of operations. This is a requisite prior to obtaining the municipal business license.

The activities that are subject to said process, as well as the requirements for obtaining the permit and the duration of such a permit, are defined in Executive Decree N° 30465

and its amendments, and in the Regulations on Sanitary Registry of Establishments Regulated by the Ministry of Public Health. In this decree, activities are classified in three categories in accordance to their level of environmental and health risks: A (high risk), B (moderate risk) and C (low risk).

## **Municipal License**

All lucrative activities require a municipal license (or permit) from the canton in which the activity is developed. The license involves the payment of a tax during the time of operations.

In virtue of the municipal autonomy, the forms and requisites to obtain a license may vary among municipalities, pursuant to their legislation and administrative dispositions.

## **Environmental Evaluation**

Prior to initiation, all new projects that impact the environment must undergo the environmental impact evaluation process of the SETENA. To determine the potential impact of said activities, it is necessary for SETENA to execute a prior evaluation which will determine the potential impact that the activity will have and the evaluation instrument that must be presented to measure the potential impacts.

This previous approval must be obtained prior to initiating other administrative processes or construction works.

The Environmental Evaluation carried out before the SETENA is comprised of two phases:

1. **Initial Environmental Evaluation:** This process begins with a general categorization of the activities (projects or works) according to their potential environmental impact (IAP by its abbreviation in Spanish). Through this procedure, the developer will preliminarily be aware in which group his activity, work or project is classified, and therefore, can subsequently proceed to fill out and complement a document (form) of environmental evaluation, as it may relate, to determine if it effectively pertains to the group.

The final environmental classification granted by the SETENA will depend on the analysis of this document.

2. **The Definitive Environmental Evaluation:** Once the developer has executed the initial environmental qualification of the activity, through the presentation of the

Environmental Evaluation Document, SETENA will grant the Final Environmental Qualification, which not only confirms or changes the category of the Project, but also indicates the type of environmental evaluation instrument that must be presented.

The environmental impact evaluation can be executed by an interdisciplinary team of consultants registered at the SETENA and must be in compliance with the guidelines and instruments prepared by that Secretariat.

## **Export Companies – Special Regimes**

If the company is an exporting company, but will not operate under any special export system, it must present the required Export Registration Cards at the One Stop Window of the Costa Rican Foreign Trade Corporation (PROCOMER).

If the company wishes to gain access to one of the special export systems, PROCOMER currently administers two types of special regimes: Free Trade Zone system and Special Drawback System. For more details on the Free Trade Zone Regime, please refer to document: *Free Trade Zone Regime in Costa Rica*.