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Setting up a Business in Costa Rica



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Types of companies in Costa Rica

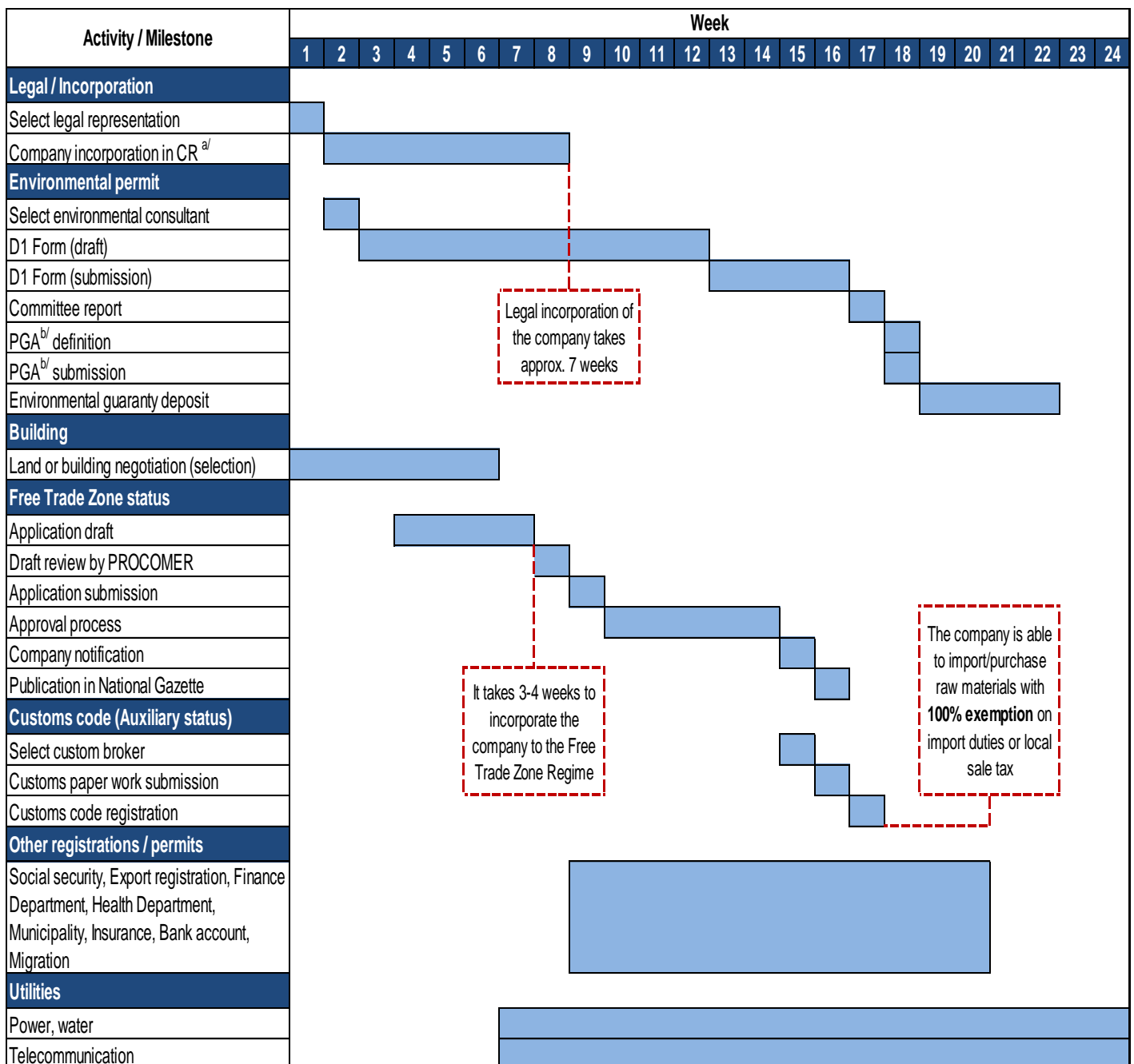
The Costa Rican Code of Commerce rules the organization of the different companies and their commercial activities. The main differences among commercial organizations are found according to their registration procedures and the financial liability of the parties involved.

- Limited Liability Company (“Sociedad de Responsabilidad Limitada” or “S.R.L.” in Spanish): The liability of the partners is limited to the proportion of their capital contributions. A minimum of two partners are required (physical individuals or business entities) to initiate its incorporation. Its legal standing is not altered in the event a single partner subsequently becomes the sole owner of the capital contribution.
- Corporation (“Sociedad Anonima” or “S.A.” in Spanish): Is equivalent to a Corporation as usually defined in the United States. It is the most widely used corporate structure when organizing businesses in Costa Rica. A “Sociedad Anonima” may be formed by other business entities or individuals, or a mix thereof, and may be eventually owned by one single individual or another business entity. In such event, the corporation's legal status is not altered in any way.

Main steps required to install a company

The following chart summarizes the most important steps that must be followed in order to become an exporting company in Costa Rica. It assumes that the company requests admission to the Free Trade Zone Regime.

As shown in the chart, the legal incorporation of the company takes approximately 6 weeks. It takes an additional 3 - 4 weeks to incorporate the company under the Free Trade Zone Regime.



Notes:

^{a/}: The company is able to hire employees after the legal incorporation process. It could select recruitment / staffing vendor.

^{b/}: Environmental Management Program.

More details about the chart:**- For Legal Incorporation**

The company must be recorded in a notarized public instrument and registered in the Public Registry. The Registry will then provide an identification number (cedula juridica).

- For the others Permits

Ministry of Treasury registration: The Company must register in the General Income Tax Office, which is part of the Ministry of Treasury. The reason is that 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.

Employee's insurance: 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), 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. Afterwards, 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.

Social Security registration: 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 Charges	26.17 (A)	9.17
Health and Maternity Benefits	9.25	5.50
Disability, Old Age and Death Benefits	4.92	2.67
Family Allowances (Welfare Benefits)	5.00	-
National Training Institute Tax (INA)	1.50	-
Workmen's Compulsory Savings Bank	0.50	1.00
Instituto Mixto de Ayuda Social (IMAS)	0.50	-
Worker Capitalization Fund	3.00	-
Compulsory Complementary Pension	1.50	-
Occupational Hazard Insurance	Variable ^{b/}	-
Mandatory reserves	8.33 (B)	-
Christmas Bonus	8.33	-
Total Mandatory ^{a/}	34.5 (A+B)	9.17

a/: Total Mandatory charges do not include insurance charges.

b/: Occupational Hazard Insurance: The National Insurance Institute has a list of rates based on the employee's category. The occupational Hazard insurance is the average of all the company's employee's rates, so it varies according to the company's payroll. The range goes from 1.9% to 5%

Health permit: 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° 34728** and its amendments, and in the Regulations on Sanitary Registry of Establishments Regulated by the Ministry of Public Health.

Municipality Patent: 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.

- For Environmental Approval

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.