

2011

Taxation



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Taxes in Costa Rica

- Income tax in Costa Rica is territorial. This means that income tax applies to individuals as well as legal entities, i.e. corporations, for income originated from a Costa Rican source only. Costa Rican Laws do not tax income derived from a foreign source.
- Taxable income is based upon net income. This is calculated as the gross income after deductions. Costa Rican Laws define gross income as the total income and profits earned in the Country during the taxable year (begins on October 1st and ends September 30th). These include earnings from real property, investment of capital and other business activities. It also contemplates any increase in net worth during the taxable year, which cannot be justified by declared or registered income.

The following table summarizes the different existing taxes in Costa Rica:

Taxes	Statutory	Free Trade Zone Regime
Corporate income tax	30%	Free Zone holiday for full / partial income tax exemption for 8 / 4 years with the possibility of renewing this exemption period multiple times upon reinvestment
Custom duties on imports/exports	Varies depending on product	100% exemption
Remittances abroad tax	15%	100% exemption
Sales tax	13%	100% exemption on local purchase of goods/services
Stamp duty	1%	100% exemption
Property taxes	0.25%	100% exemption for a 10 year period
Property transfer tax	1.5%	100% exemption for a 10 year period
Municipal patent license	0.3%	100% exemption for a 10 year period
Withholding tax on royalties, fees, dividends	up to 25%	100% exemption
Tax on interest income	8%	100% exemption
Limitation on expats in country	None	
Tax on expats	All Costa Rican residents and non-residents working within the Costa Rican Territory under a labor relationship are subject to withholdings and social security contributions. Personal income tax goes up to 15%	
Job creation and training grants	Free customized technical training available through INA	

Regarding to corporate income tax, if the company has submitted and been approved for a free zone regime, it receives a 100% exemption, under some conditions:

In Manufacturing:

*If the company establishes its operation in a less developed area the full / partial income tax exemption period increases to 12 / 6 years with the possibility of renewing this exemption period multiple times by reinvesting a significant sum.

*Minimum level of employment (100 workers) and minimum required investment (US\$10,000,000) to be completed in 8 years.

In Services:

*Minimum required investment: US\$150,000 (inside free trade industrial park) and US\$2,000,000 (outside free trade industrial park) to be completed in 36 months. Required investment in less developed areas decreases to US\$100,000 and US\$500,000 respectively.

* At least 50% of services must be exported.

For more information about the Free Zone Regimen see document ***Free Trade Zone Regime in Costa Rica.***