

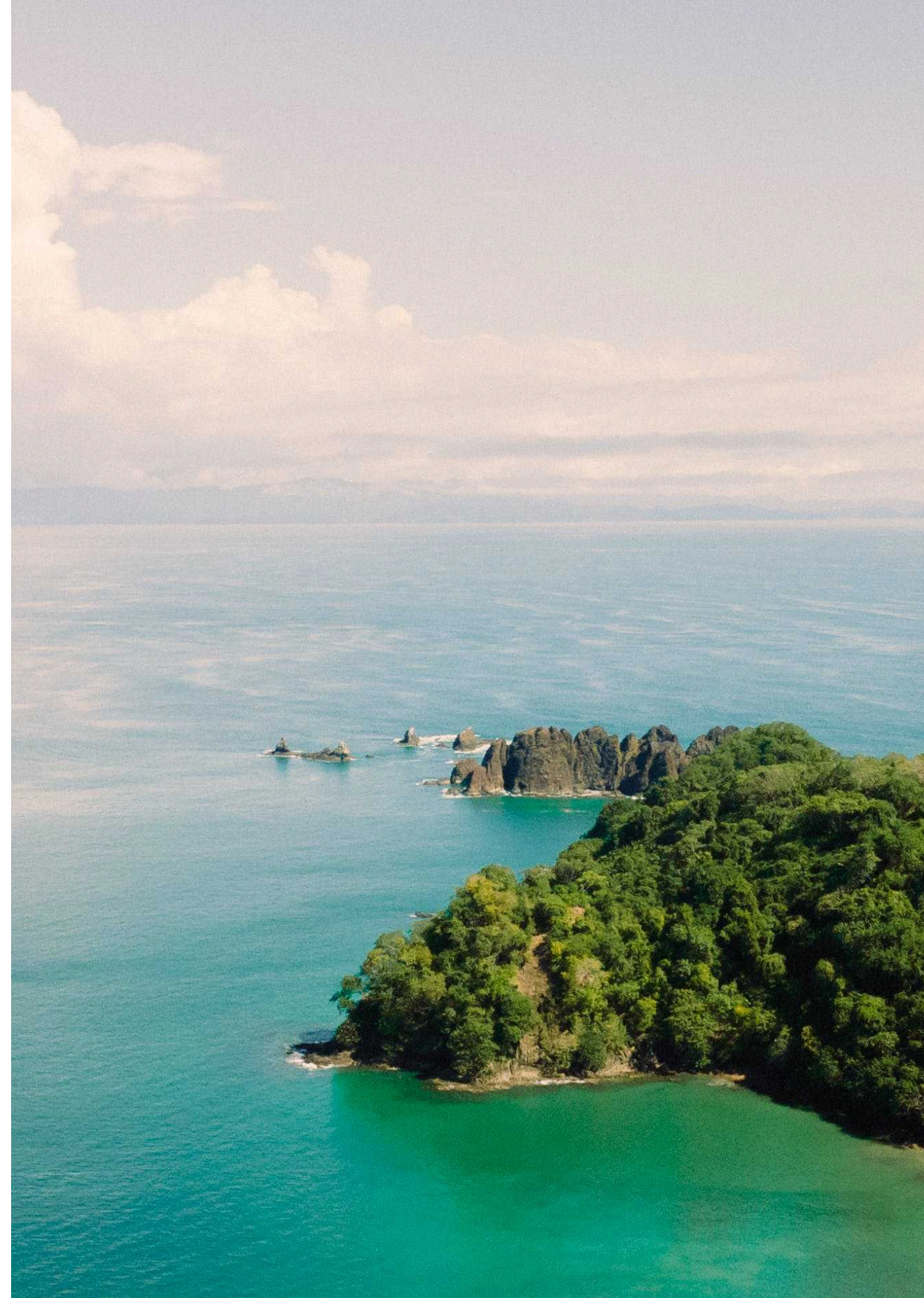
Doing business in Costa Rica: A BDO Roadmap

2025



Imagine this...

A vibrant jewel nestled in the heart of Latin America, calling out with a wealth of irresistible investment opportunities, all within your grasp. Costa Rica is a compelling destination for foreign investments, thanks to its favorable business environment and proactive efforts to attract international investors like yourself. This approach has propelled the nation to become the third-largest economy in Latin America. With its dazzling tropical climate, situated in Central America, below the hurricane-prone region, Costa Rica has successfully projected an environmentally-friendly reputation on a global scale. And that's not all... in a significant milestone for the country, 2021 marked Costa Rica's historic entry as the first Central American nation into the Organization for Economic Cooperation and Development (OECD). As you embark on this exciting investment journey with BDO as your strategic partner, you will discover that the possibilities in Costa Rica are as boundless as your imagination.





Overview



An overview

Costa Rica's enduring social and political stability, coupled with its proud distinction as the longest-standing continuous democracy in Latin America, creates an inviting and stable environment that investors can truly seize. Additionally, Costa Rica benefits from a well-educated workforce and a relatively young population, with nearly half of its citizens under the age of 30. Over the past two decades, the nation has successfully diversified its economy, moving away from its historical dependence on agriculture. Today, it takes pride in its advanced manufacturing and robust business services sectors. In addition to that, the tourism industry has witnessed remarkable growth, thanks to the country's tropical allure, which has captured the imagination of all kinds of travelers from around the world.

In this promising landscape, BDO stands as your trusted guide for navigating the opportunities that Costa Rica offers to investors. Our expertise and dedication ensure that your investments in this vibrant nation are poised for success.

Let's explore together the possibilities that lie ahead.

Costa Rica is one of the Latin American countries with the highest levels of Foreign Direct Investment due to several factors:



1. Abundant Investment Opportunities:

One of the primary reasons behind Costa Rica's success in attracting FDI is its commitment to offering extensive opportunities to foreign investors.



2. Attractive Tax Incentives:

Another significant driver is the array of substantial tax benefits provided to foreign investors.



3. High Quality of Life:

Costa Rica's high living standards and quality of life also play a pivotal role in attracting foreign investments.





The Costa Rican government is wholeheartedly committed to welcoming and retaining high-quality foreign investments. They lead this effort through two important organizations: the Foreign Trade Promotion Corporation (PROCOMER) and the Costa Rican Investment and Development Board (CINDE).

At the same time, the Tourism Institute (ICT) actively encourages investments in Costa Rica's booming tourism sector. We have the benefit of two international airports: Daniel Oduber International Airport in Liberia, which serves the Guanacaste region and the Pacific coast, and Juan Santamaria International Airport in the capital, San Jose. These airports offer direct flights from 17 countries across the Americas and Europe.

What's also important to note are the laws in place that support investment in Costa Rica. The country follows a policy where the same rules apply to both foreign and local investors. Additionally, Costa Rica has formed free trade agreements with 49 nations, leading to a significant portion (87%) of our exports going to countries we have these trade agreements with.



Costa Rica offers numerous benefits for North American businesses, including:



1. Proximity

Costa Rica is geographically close to North America, which means shorter travel times for on-site visits and easier coordination due to overlapping time zones. This proximity facilitates real-time communication and collaboration.



2. Cultural Affinity

Shared values, like punctuality, professionalism, and a customer-centric approach, enhance business interactions.



3. Language Proficiency

Costa Rica has a high level of English proficiency, especially among its workforces. This ensures effective communication and reduces language barriers, which can be a significant advantage in customer support and service-related industries.



4. Educated Workforce

Costa Rica has a well-educated and skilled workforce with a strong focus on education. It boasts a high literacy rate and produces professionals in various fields, including IT, engineering, finance, and customer service.



5. Political Stability

Costa Rica is one of the most politically stable countries in Latin America, known for its democratic traditions and peaceful history. This stability creates a secure environment for business operations.



6. Trade Agreements

Costa Rica has several trade agreements in place with most Central American countries, Canada and the United States among others. This significantly simplifies trade relations.



7. Technology Infrastructure

The country has invested in modern technology infrastructure, including high-speed internet and reliable telecommunications, to support business operations such as IT services and software development.



8. Legal and Regulatory Framework

Costa Rica has established legal and regulatory frameworks that provide protection and incentives for foreign investors and businesses. This regulatory stability can instill confidence in companies looking to expand their operations.



9. Cost Savings

While Costa Rica isn't the cheapest option, it offers cost advantages over running some ops in North America. Labor expenses are generally lower than in the U.S. and Canada, making it cost-effective for many businesses.



10. Quality of Life

For employees working in Costa Rica, the country offers a high quality of life with access to healthcare, education, and recreational activities. This can contribute to employee satisfaction and retention.



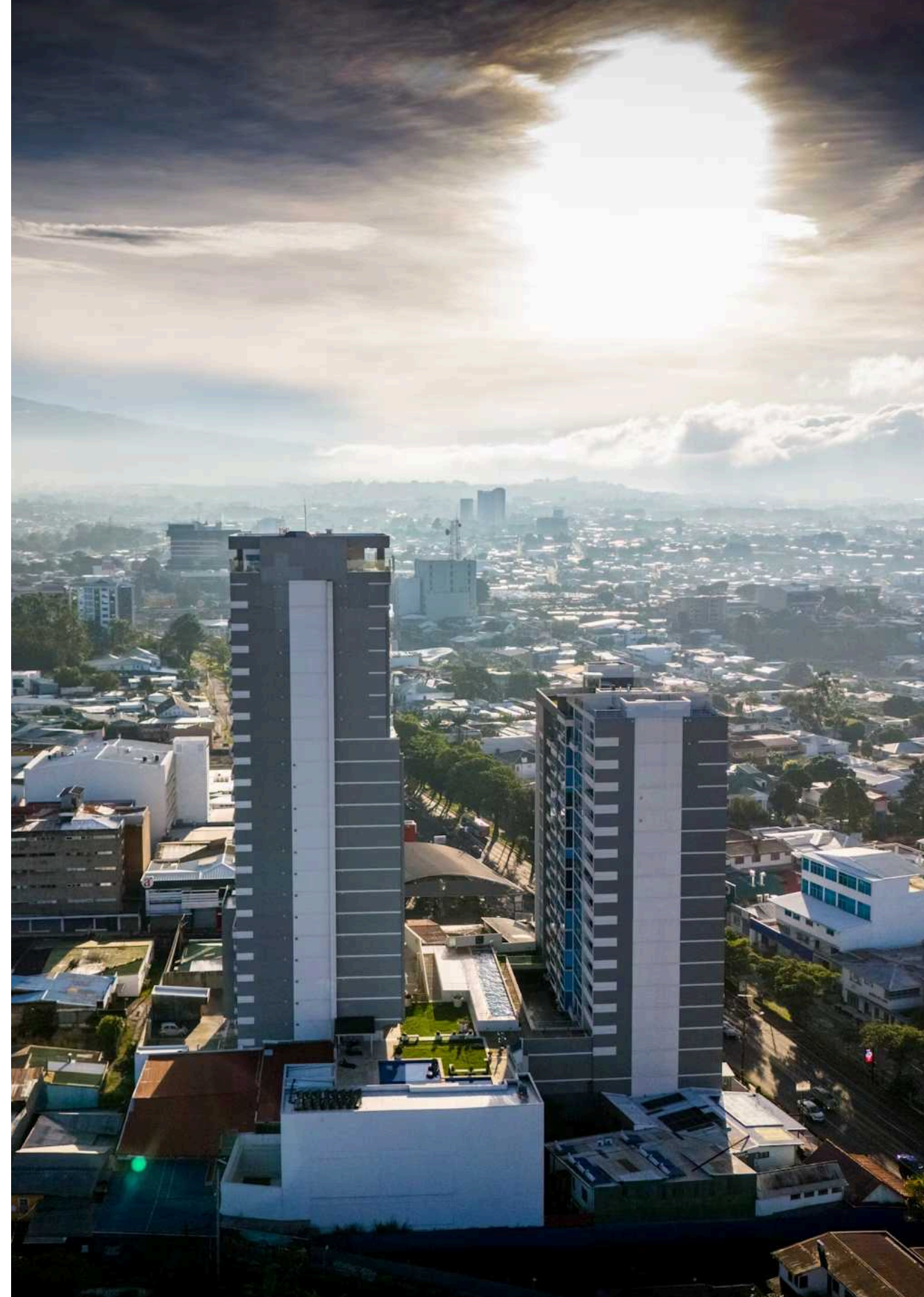
Common areas for nearshoring in Costa Rica include customer support, IT services, software development, back-office operations, and shared services centers. Businesses choose nearshoring to Costa Rica to leverage these benefits while maintaining a level of proximity and cultural alignment that may not be as achievable with offshore outsourcing to more distant locations.

Let's join forces to turn your investment dreams in Costa Rica into a reality.



Let's join forces to turn your investment dreams in Costa Rica into a reality.

[Get in touch with Carlos Gonzalez – Managing Partner](#)





Macroeconomic Environment



Now, let's delve into the economic heartbeat of Costa Rica. These are the key macroeconomic characteristics that make this nation a compelling destination for investors. From its steady growth and fiscal responsibility to a commitment to sustainability, Costa Rica's economic landscape offers a promising canvas for different kinds of investment.

Economic Growth

Insights: In the first half of 2024, Costa Rica's economy exhibited steady growth, though with some variations across sectors. The Central Bank of Costa Rica (BCCR) forecasted a 4% GDP increase for the year, driven mainly by sectors like transportation, logistics, and tourism, though growth in these areas was slightly slower than in prior years. Manufacturing also expanded but was somewhat affected by a slowdown in exports from free trade zones.

Export of goods rose by 7%, with the precision and medical equipment sector (representing 43% of total exports) leading the way, followed by agriculture and the food industry. Meanwhile, service exports saw a significant 16% jump, with travel and business services contributing most to this rise.

On the **fiscal front**, the primary surplus remained steady, although the financial deficit showed a slight increase. Government debt as a percentage of GDP is on a downward path, projected to fall below 60% by 2025. The BCCR also took a measured approach to monetary policy, reducing the Policy Rate (TPM) to 4.75% during the first half of the year.

Social Assistance Measures: To further alleviate poverty, targeted social assistance measures could be implemented, with a focus on historically disadvantaged groups and those living below the poverty threshold.

Fiscal Responsibility: Costa Rica's fiscal responsibility remains a strong suit. Fiscal consolidation is expected to persist, supported by fiscal rules that restrain expenditure growth. This strategy is poised to drive the debt-to-GDP ratio down to around 60% by 2025, ensuring a stable economic future.

Inflation

Insights: In the first half of 2024, Costa Rica maintained a relatively low inflation rate, with cumulative inflation at 0.22%. This reflects a balanced market where prices for 47% of goods and services rose, 36% decreased, and 17% remained unchanged. Key drivers of inflation included price hikes in items like international travel packages, new cars, and onions. Conversely, items such as sweet peppers, lemons, and avocados saw price drops. Despite these fluctuations, the year-over-year inflation rate from July 2023 to June 2024 showed a slight deflation of -0.03%, an improvement compared to the previous year's -1.04%. Costa Rica's Central Bank had set an inflation target of 2%-4% for 2024, following the deflation of -1.77% in 2023, the lowest in a decade.

Employment

Insights: Taking a closer look at employment in Costa Rica, we find that approximately 55% of individuals aged 15 to 64 are engaged in paid employment. This figure falls below the OECD average, which stands at 66%.

Gender Disparities: Gender plays a significant role in these statistics. Around 68% of men in Costa Rica are employed, while only 41% of women have paid employment. This gap reflects a broader global trend but highlights an area for potential improvement.

Work-Life Balance: It's interesting to note that 22% of employees in Costa Rica endure very long working hours, a figure higher than the OECD average of 10%. Among them, 28% of men work long hours for pay, compared to 13% of women. This sheds light on the work-life balance dynamics in the country.

Education and Skills: A good education and skill set are crucial for finding employment. In Costa Rica, 43% of adults aged 25 to 64 have completed upper secondary education. This percentage is below the OECD average of 79%. The difference between men and women is relatively slight, with 41% of men and 44% of women successfully completing upper secondary education.

Educational Performance: The quality of education is another interesting aspect. On average, a student in Costa Rica scored 415 points in reading, mathematics, and science in the OECD's Programme for International Student Assessment (PISA). This score falls short of the OECD average, which stands at 488.

Gender Dynamics in Education: In Costa Rica, boys outperformed girls in educational assessments by 4 points, a contrast to the OECD average where girls tend to outperform boys by 5 points. This offers a unique perspective on educational outcomes in the country.

Trade Balance

Insights: In the first half of 2024, Costa Rica's trade balance showed a widening deficit, totaling approximately \$2.05 billion by June, an increase of 3.1% compared to the same period in 2023. This growing trade gap was driven by both rising exports and imports. Exports increased by 7%, reaching \$9.69 billion, supported by strong performance in sectors such as medical devices, agriculture, and the food industry. However, imports also grew, particularly in energy and consumer goods, contributing to the overall trade deficit.

The medical device industry led the export growth, accounting for 43% of total exports with a 13% increase. Meanwhile, agricultural exports, including key products like pineapples and bananas, saw more moderate gains.

Fueling the Economy: Notably, fuels, including gasoline and diesel, continue to play a significant role as top imports. Their essential role in powering the country's energy consumption is hard to overlook.

Product Categories of Impact: When it comes to product categories, medical industry instruments, prosthetic devices, and fresh fruits, including the iconic pineapples and bananas, stand out for their substantial customs value.

Import Insights: On the import side, fuels, hybrid circuits, electronic circuit components, and pharmaceuticals are among the leading categories.

Strong Bilateral Relations: It's worth highlighting the enduring role of the United States as Costa Rica's primary trading partner, a pivotal player in the nation's foreign trade dynamics. In fact, during the first quarter of 2024, the United States contributed to more than 40% of the total value of both imports and exports. This solidifies the significance of the bilateral economic relationship between the two nations in shaping Costa Rica's trade landscape.

Public Debt

Insights: In a significant departure from the norm, the 2023 budget anticipates a primary surplus of approximately ₡734 billion (expressed in Costa Rican colon), equivalent to 1.5% of GDP. Contrast this with 2022, where a primary surplus of ₡331 billion (0.8% of GDP) was envisioned, considering revised revenue estimates and primary expenditure.

Financial Deficit: Shifting focus to the financial deficit, budgeted for 2023, it's calculated as the difference between total revenues (excluding financing) and total expenses (excluding amortization) and stands at ₡1,746 billion, equivalent to 3.7% of GDP, down from ₡1,885 billion in 2022 (4.3% of GDP). This drop, however, is slightly less than what the rise in the primary surplus suggests due to the budgeted increase in interest payments from 5.0% to 5.2% of GDP. The 2023 projection shows promise, reflecting an improved financial outlook.

Interest Weigh-In: The Central Bank of Costa Rica (BCCR) considered in its Monetary Policy Report of July 2022 that the weight of interest could be reduced to 4.7% of GDP, with elements similar to those in the Budget Proposal (mainly related to the availability of external credits for budget support and international securities).

Debt-to-GDP Ratio: The nominal GDP growth, driven by inflation and increased production, plays a pivotal role in reducing the debt-to-GDP ratio and creates the potential for more fiscal flexibility. However, it's important to note that approximately half of the liabilities are denominated in foreign currency, making them sensitive to value fluctuations, as witnessed in the first half of the year with considerable balance increases.

Fiscal Sustainability: Ensuring fiscal sustainability is imperative. This means maintaining a trend toward a sufficient primary surplus or, preferably, reducing interest expenses. Such measures are essential for creating fiscal space to address citizen demands while alleviating stress in public finance management.

Exchange Rate

Insights: In recent months, the value of the Costa Rica colon in relation to the U.S. dollar has been a puzzle. It started with clear appreciation, reaching 557 colones on January 31. However, it then depreciated to 586 colones by February 9 before bouncing back to 568 colones on Thursday, February 16.

This rollercoaster ride may seem perplexing, but the national currency has made a remarkable comeback in early 2023, reaching pre-pandemic levels and surpassing the values that exceeded 600 colones in the previous year.

Driving Factors: Fluctuations in the exchange rate result from a combination of factors. Experts attribute them to FDI (foreign direct investment) and a 20% drop in the national premium on treasury bonds over the past year. This, along with improved fiscal stability, has positively impacted Costa Rica's investment risk outlook. The country offers an enticing 9% interest rate on these bonds for short-term investments in both Costa Rica and the United States, significantly higher than the 4.75% U.S. bond rate.

The introduction of Eurobonds has increased the supply of dollars, putting downward pressure on the dollar's value compared to the colón. About one billion dollars from these securities will be held in the reserves of the Central Bank of Costa Rica, limiting their impact on the foreign exchange market.

Balancing Act: According to University of Costa Rica (UCR) economic experts, recent fiscal reforms could help stabilize the exchange rate. A slight reduction in inflation, similar to the United States, might lead to potential interest rate reductions, though national rates would still exceed U.S. range of 5.25% - 5.50%. While this could make colones less attractive for investors, possibly causing the dollar to rise, the effect could be tempered by around 50 new foreign companies entering the country, as per the latest Monetary Policy Report from the BCCR for 2022.

Tourism's Reawakening: The revival of tourism is a significant factor. In 2022, Costa Rica received 2,349,537 visitors, reaching 75% of pre-pandemic levels. This sets the stage for further growth in 2023, potentially boosting dollar inflows.



Let's join forces to turn your investment dreams in Costa Rica into a reality.

[Get in touch with Carlos Gonzalez – Managing Partner](#)



Costa Rica's Political System



The Costa Rican political system is known for its rich democratic traditions and political stability. Let's go over the key aspects of Costa Rica's political landscape:

A Beacon of Democracy: Costa Rica shines as a beacon of unwavering commitment to democracy. The nation boasts a rich history of democratic governance, where regular and equitable elections empower citizens to select their leaders. These democratic traditions run deep in the country's cultural fabric, forming a political system marked by a profound respect for civil liberties, human rights, and the coexistence of diverse political ideologies.

Presidential Leadership: The President holds a dual role as the head of state and government. This position is attained through a popular vote for a four-year term, with the possibility of serving a maximum of two non-consecutive terms. The President is a pivotal figure, responsible for shaping government policies and spearheading the executive branch.

Legislative Assembly: Costa Rica's unicameral legislature, known as the Legislative Assembly is a dynamic hub of political activity. Comprising 57 deputies, they're elected for four-year terms. Costa Rica's multi-party system ensures diverse representation within the Assembly, with various political parties securing seats. The absence of a single party with an absolute majority often leads to coalition governments and collaborative efforts among parties.

Judiciary: The judicial system stands as an independent and effective pillar of governance.

The Supreme Court, holds the highest judicial authority, bearing the weighty responsibility of interpreting and upholding the constitution.

The judiciary plays a central role in safeguarding the rule of law and the rights of citizens.

Rule of Law: The bedrock of Costa Rican governance is the unwavering commitment to the rule of law. It's the cornerstone ensuring the consistent application of the legal framework and the protection of citizens' rights. The judiciary's role in enforcing this foundation cannot be overstated.

Political Mosaic: The political landscape in Costa Rica is a vibrant mosaic. A plethora of political parties representing a multitude of ideologies and interest groups adds color to the scene. While the National Liberation Party (Partido Liberación Nacional, PLN) and the Social Christian Unity Party (Partido Unidad Social Cristiana, PUSC) have traditionally been the key players, smaller parties also wield considerable influence.

Constitutional Foundations: At the heart of Costa Rican governance is its constitution, adopted in 1949. This foundational document defines the nation as a democratic republic and enshrines principles of civil liberties, human rights, and social justice.

Regular Elections: Presidential elections come around every four years, coinciding with legislative and local elections. This electoral process is a model of transparency and openness, ensuring that Costa Ricans actively participate in shaping their government.



Stability and Peace: Costa Rica stands as a shining example of political stability. It has a history marked by peaceful transitions of power, devoid of civil conflicts, military coups, or political turmoil that have plagued some of its neighbors.

Decentralization for Diversity: Costa Rica's geographical divide into seven provinces, each governed by its own local government, is a testament to decentralization. This structure fosters regional autonomy and local decision-making, creating a more diverse and responsive system of governance.

Costa Rica's political system is often cited as a model of democratic governance in Latin America. Its commitment to democratic principles, political stability, and strong rule of law have contributed to its reputation in the region. These attributes make it an attractive destination for international organizations and investors.

Let's join forces to turn your investment dreams in Costa Rica into a reality.



Let's join forces to turn your investment dreams in Costa Rica into a reality.

[Get in touch with Luis Javier Uribe – Legal Lead Partner](#)



Corporate Environment



In this dynamic world of commerce, where trends, technology, geopolitics, and regulations continuously reshape the business canvas, knowledge is your compass to navigate and thrive. Whether you're an investor, entrepreneur, policymaker, or a business professional, this report is your indispensable guide for success in Costa Rica.

BDO's unwavering mission is to empower you with the most current, accurate, and actionable insights into the dynamic Costa Rican business landscape. Join us in this exploration as we go over some critical aspects, spanning from corporate intricacies and real estate dynamics to tax regulations, labor practices, intellectual property, environmental considerations, and the ever-important realm of social responsibility. Together, we pave the path that could make Costa Rica the ultimate destination for your investments.

1. Establishing a Business in Costa Rica

When exploring the corporate options available in Costa Rica, it's crucial to be familiar with the most common legal structures in the market:



Sociedad Anónima or S.A. (Equivalent to a US Stock Corporation)

Capital Stock: Its capital is represented in shares and can have a nominal value in any currency. The S.A. is highly versatile and can issue both common and preferred shares.

General information: It's managed by a Board of Directors with a minimum of a President, Secretary, Treasurer, and a Fiscal Auditor. The S.A. must maintain three legal books: Shareholders' Registry, General Shareholders' Meeting Minutes, and Board of Directors Minutes.



Sociedad de Responsabilidad Limitada or S.R.L. (Equivalent to a US Limited Liability Company)

Capital Stock: Its capital is represented in quotas, and its nominal value must be one hundred colones or multiples of this sum. Quotas are transferable to third parties with certain formalities.

General information: It offers a simpler organizational structure as it can be managed by one or more managers and the company only must maintain two legal books: Quota Holders' Registry and General Quota Holders' Meeting Minutes.

Tax Considerations: In Costa Rica, the Sociedades de Responsabilidad Limitada (S.R.L.) are considered pass-through entities for income transfer to partners, unlike Sociedades Anónimas, thus avoiding double taxation.

Loans from the partners of an S.R.L. to the company itself are considered equivalent to dividends when paid back, which may be subject to taxes, unlike in the case of Sociedad Anónima (S.A.) where is simply treated as a mercantile loan.

General Considerations: In both cases, the partners' liability is limited to their own shares and regarding the company's duration, it can be up to 99 years with the possibility of extension as allowed by the bylaws and the agreement of the partners.

2. Registration of Commercial Entities

The establishment of a commercial entity must be formalized through a public deed. This document is essential as it constitutes the company's bylaws and, as such, must be carefully drafted. The deed must include, at a minimum, the following information to ensure its prompt registration:

a. Type of Company: The type of company being created must be specified, whether it is a Sociedad Anónima or a Sociedad de Responsabilidad Limitada among others.

b. Business Name: A unique name for the company must be chosen that complies with legal requirements and does not resemble other registered trade names.

c. Exact Address and Duration

d. Object: A detailed description of the commercial activities the company will engage in or if it involves general trade.

e. Initial Capital Stock: Include the amount of the initial capital stock, the manner in which it will be paid, and the deadline for payment. Detail the contributions of each partner, whether in cash, assets, or any other value.

f. Governance and Administration: Establish formalities for holding partner meetings or, in the case of the S.A., Board of Directors sessions. Additionally, define the form of administration and the faculties that the directors will possess.

g. Appointment of Administrators: Specify who will be the administrators of the company, indicating which ones will have legal representation and their acceptance.

h. Resident Agent: Designate a resident agent who will receive legal notifications for the company only if its directors and representatives do not have an address in the country.

i. Financial Statements and Profit Distribution: Specify how financial statements will be prepared and how profits or losses will be distributed among the partners.

j. Legal Reserve: Stipulate the legal reserves that the entity must maintain in accordance with Costa Rican law.

k. Early Dissolution: Define the cases in which the company may be dissolved prematurely, including the basis for conducting liquidation and the process of electing liquidators if they were not previously designated.

It's worth emphasizing that prospective company owners need not be physically present during the incorporation process. At BDO, we streamline the entire procedure by allowing the formation of the entity through partners of our local firm, with the option to later transfer shares or quotas to the ultimate partners as needed.

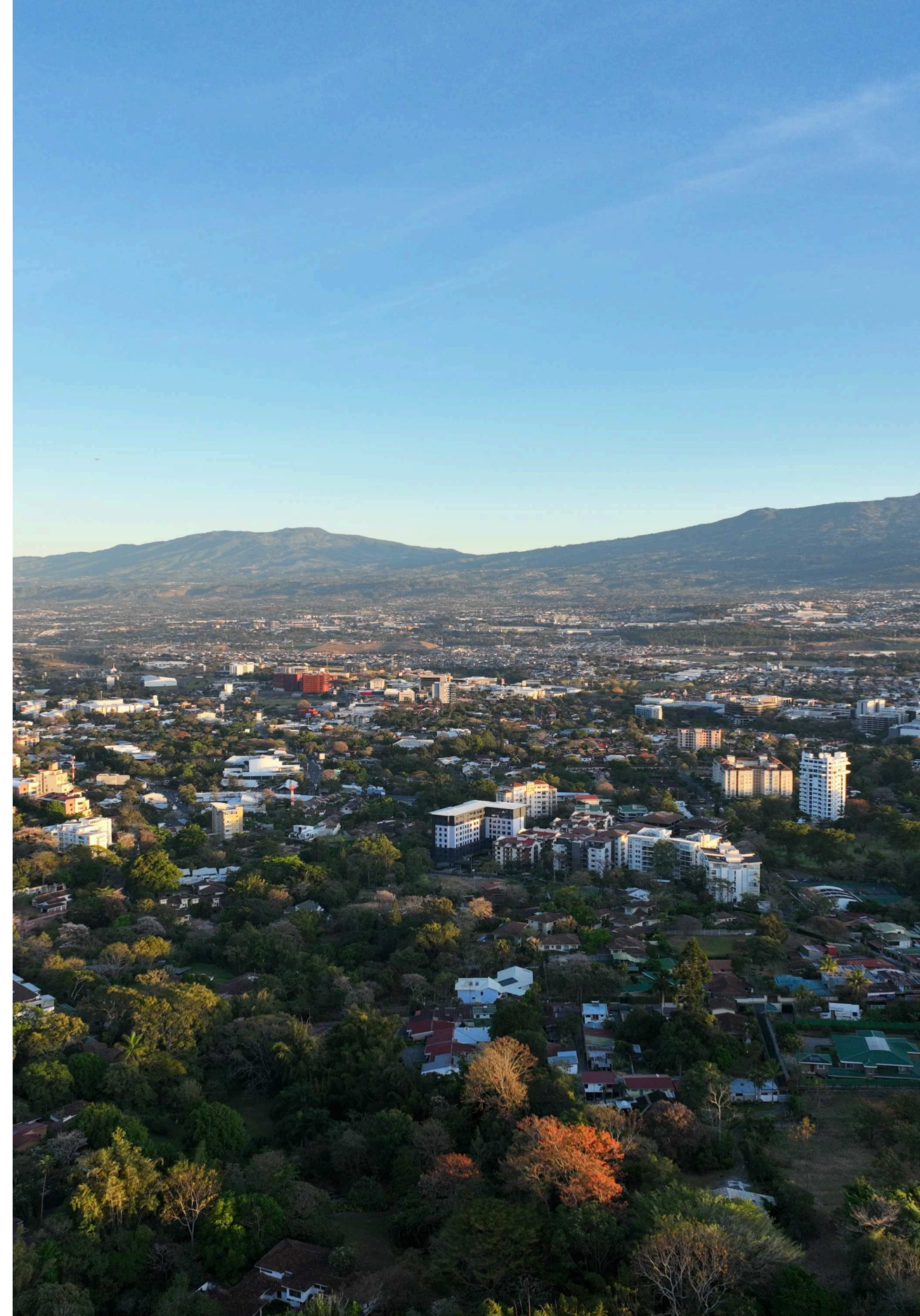
Once all essential information, including bylaws and required documentation, is in place, the incorporation process unfolds seamlessly on the CrearEmpresa online platform. Typically, within a swift 3 to 5 business days, the company undergoes complete incorporation, enabling it to fully exercise its legal rights and obligations. Following this, we diligently prepare the social books and make the necessary initial entries.

3. Granting of Powers of Attorney (POA's)

The granting of powers of attorney plays a fundamental role in the Costa Rican business environment since it allows both legal entities and individuals to delegate the power to perform acts and operations on their behalf. The Costa Rican Civil Code regulates the figure and defines several types of powers of attorney, each with its specific characteristics and scope:

Full Power of Attorney (Poder Generalísimo)

The Full Power of Attorney grants the attorney the ability to manage all the affairs of a person or entity, with the only limitation being that they cannot perform acts that, according to the law, must be executed personally by the owner or require a very specific POA (Poder Especialísimo) such as donations.



It's important to note that this type of power is for disposition purposes and must be registered before the National Registry to be valid. There is also the possibility to limit it to certain businesses or acts without compromising the broad powers of the full POA. These faculties are typically held by the directors and managers of commercial entities as well.

General Power of Attorney (Poder General)

The General Power of Attorney focuses on the administration of the principal's affairs. Its powers are limited to:

- ▶ Entering into agreements and executing acts necessary for the preservation or exploitation of assets.
- ▶ Initiating and maintaining possessory legal actions and those necessary to interrupt the prescription of assets included in the mandate.
- ▶ Renting or leasing movable property for a period of up to one year. A general or specific power of attorney is required to lease real estate.
- ▶ Selling fruits and other movable property intended for sale or exposed to loss or deterioration.
- ▶ Demanding the payment of debts, either through legal or extrajudicial means, and issuing the corresponding receipts.
- ▶ Executing all legal acts necessary according to the nature of the business.

This type of POA must also be registered before the National Registry.

Special Power of Attorney (Poder Especial)

A Special Power of Attorney is granted for a specific and determined act, whether judicial or extrajudicial. This type of power is highly limited and cannot extend to other acts considered even natural consequences of the mandate. Unlike the previous POA's, the Special Power of Attorney doesn't need to be registered and can be granted in a private document, although if it involves acts with registration effects, it must be granted in a public deed. Companies often use this type of power to delegate the execution of simple acts before various institutions and entities, such as presenting or withdrawing documents; it is also known as "authorization".

Special and General Judicial Power of Attorney (Poder Especial y General Judicial)

The rules and regulations governing the mandate in general also apply to the judicial mandate unless there are specific restrictions due to the nature of legal matters. The faculties of the judicial POA include representation in legal proceedings, monitoring legal procedures, negotiating legal agreements and commitments on behalf of the principal (including out-of-court settlements), performing procedural acts, filing appeals, and, in general, acting on behalf of the principal as if they were the principal themselves to effectively handle legal matters.

The mandate contract becomes a crucial element in the day-to-day business in the Costa Rican market, allowing both legal entities and individuals to delegate authority to carry out various types of businesses and acts.

The choice of the appropriate type of power of attorney will depend on the specific needs and circumstances of each situation.

4. Branch or Commercial Establishment

Costa Rica extends the opportunity to establish branches of foreign companies, provided the following requirements are met:

a. Appointment of an Attorney-in-Fact: Foreign companies wishing to operate in Costa Rica must appoint a full power of attorney who will act as their representative in the country.

b. Formal Registration: The registration of the branch must be done through a public deed. As outlined in the previous section, this deed must include details such as the purpose of the branch and the capital allocated to it, information about the main foreign company, including its objectives, capital, and the complete identification of its representatives or administrators. It must also include an explicit waiver by the representative and the branch of their jurisdiction of origin, submitting to the laws and courts of Costa Rica for all acts and contracts executed or performed in the country.

5. Annual Obligations of Commercial Entities

In Costa Rica, companies, including branches, are obligated to fulfill a series of annual legal requirements to ensure their regular operation and adherence to the law. These obligations are pivotal in upholding transparency and regulatory compliance. Here are some of the primary annual obligations:

a. Annual General Meeting: Every year, companies must hold an Annual General Meeting to address ordinary matters related to the management of the administration.

Typical topics addressed in this meeting include review of the financial statements for the previous period, appointment or revocation of the company's directors and distribution of utilities if applicable. This meeting must be held within three months following the close of the annual fiscal year. Although there is no requirement to provide proof of the meeting to any entity, it is essential to meet this deadline. However, there are no penalties for exceeding the time limit.

b. Annual Declaration to the Transparency and Final Beneficiaries Registry: This annual declaration adheres to international transparency standards recommended by the OECD and FATF. Entities in Costa Rica must file it each April using the Central Directo platform from the Central Bank of Costa Rica (BCCR). It requires an electronic signature and discloses confidential information about social capital, including 'final beneficiaries.' Non-compliance may lead to fines and penalties.



6. Initiating Commercial Operations in Costa Rica

Once the incorporation process reaches its conclusion, the company will be ready to embark on the journey of obtaining the necessary permits to kickstart commercial operations in Costa Rica. These include:

- 1. Employer Registration:** The company must be registered as an employer with the relevant entities, such as the National Insurance Institute (Instituto Nacional de Seguros or INS) and the Costa Rican Social Security Fund (Caja Costarricense del Seguro Social or CCSS).
- 2. Obtaining Zoning Certification:** Before commencing commercial activities at a specific location, whether it is owned or leased, you must obtain zoning certification to ensure that the location complies with local regulations and is suitable for the planned commercial activity.
- 3. Sanitary Operating Permit** After obtaining the zoning certificate, it's necessary to apply for the sanitary operating permit from the Ministry of Health. The specific requirements depend on the type of activity and the level of risk it poses, according to Costa Rican special legislation.
- 4. Commercial License:** Finally, the company must apply for a commercial license (municipal permit), which is an administrative act through which the corresponding municipality authorizes individuals or legal entities to operate and conduct any type of economic activity, whether for profit or non-profit purposes.

STEPS TO DOING BUSINESS IN COSTA RICA



EMPLOYER REGISTRATION

1



ZONING CERTIFICATION

2



SANITARY OPERATING PERMIT

3



SANITARY OPERATING PERMIT

4

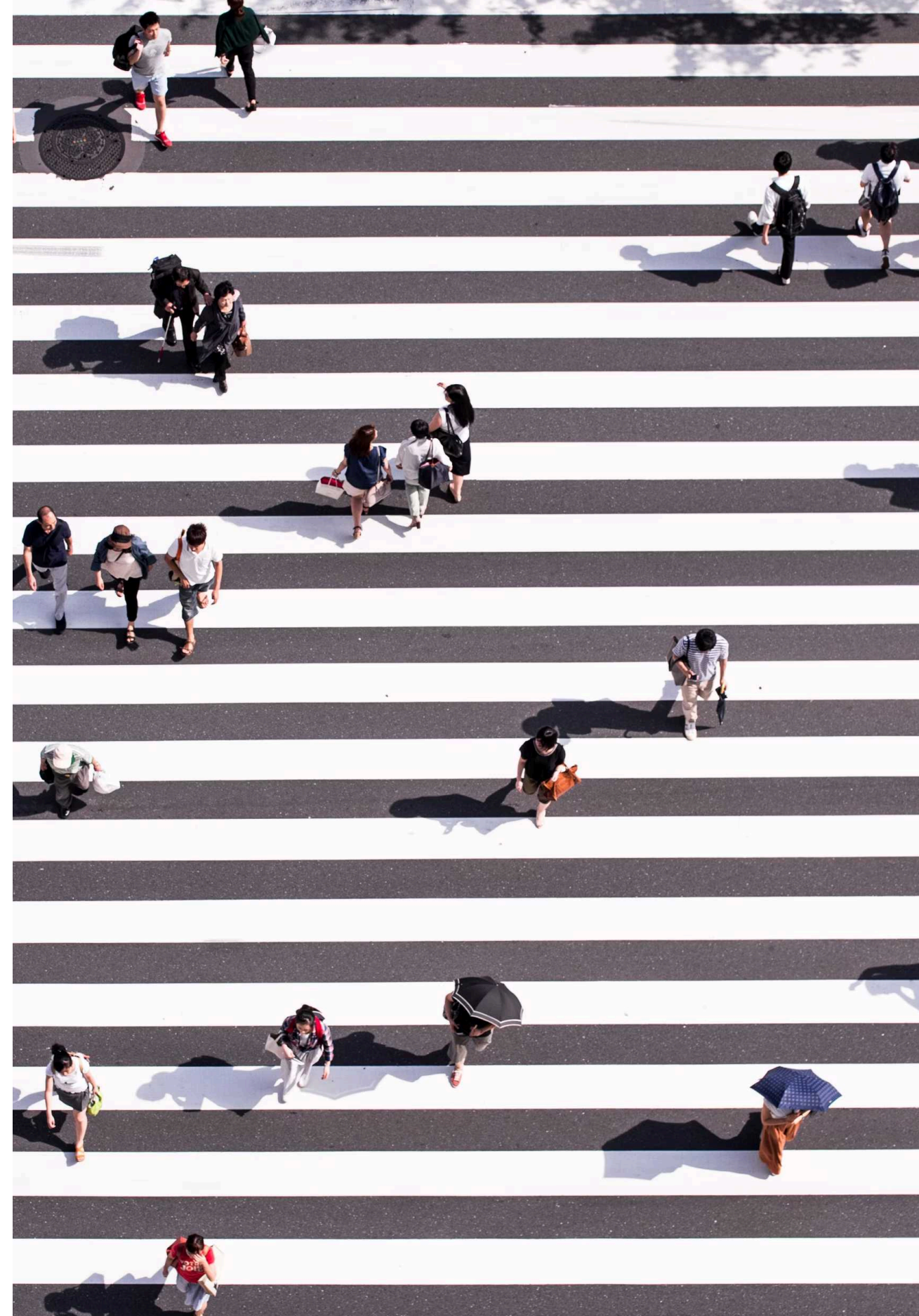
*Please note that the exact requirements and procedures for obtaining these permits and licenses may vary depending on the specific location and nature of the business.

As your company prepares to navigate the intricate process of obtaining permits post-incorporation in Costa Rica, it becomes vital to emphasize the importance of engaging with an experienced partner like BDO. Our team of experts understands the intricacies of the regulatory landscape, providing invaluable guidance throughout the permit acquisition journey. From employer registration to zoning certification, sanitary operating permits, and securing the necessary commercial license, BDO ensures a seamless and efficient process tailored to your business needs. With our comprehensive knowledge and commitment to excellence, we stand as a reliable ally to help you successfully kickstart your commercial operations in Costa Rica.



Let's join forces to turn your investment dreams in Costa Rica into a reality.

[Get in touch with Ana Saenz – Legal Partner](#)





Real Estate



The real estate sector is a key indicator of the business landscape, influencing investment choices, operational expenses, and the overall ease of doing business.

In recent times, Costa Rica's real estate terrain has undergone transformative shifts. Urbanization, infrastructure developments, and evolving market dynamics have reshaped the availability and quality of commercial spaces, offices, and industrial facilities. Let's explore together these changes and their implications for businesses.

Understanding this environment is pivotal for businesses across industries and sizes. The availability of suitable properties, competitive rental rates, and secure property rights directly impact a company's operational efficiency, market presence, and competitiveness. Moreover, the state of the real estate sector often mirrors the broader economic health of a region or nation.

Costa Rica's property ownership laws extend the same rights to both locals and foreigners, making property acquisition accessible to all with a valid passport. However, nuances arise in property investment, contingent on the land type involved. Let's review some of the main points to consider:

Registered Property

All properties in Costa Rica are registered with a public institution known as the National Registry (Registro Nacional). There, you can find essential property information, including the owner, land measurements, mortgages, and other important details. Property can also fall under a special classification called Property in Condominium, which offers certain advantages but also some other restrictions.

Maritime Terrestrial Zone (Zona Marítimo Terrestre or ZMT)

This area extends 200 meters from the mean high tide line and is divided into the Public Area (no ownership allowed) and the Restricted Area (concessionary area). In the Restricted Area, the government can grant concessions for limited periods. Concessions can only be given to Costa Ricans or companies mostly controlled by Costa Ricans.

Non-Registered Property

Some rural areas may have non-registered land, making them unsuitable for transfer due to the absence of a registered owner.

Public Property

Lands owned by state institutions, municipalities, national parks, and reservoirs remain public and under special regulations.

Timeshare or 4Dimension Property

This concept allows individuals to buy rights to use a property for a specified time each year. It is known as 4Dimension Property because it lets you enjoy the land's three dimensions (length, height, and width) for a limited time each year.



Navigating Costa Rica Real Estate

- ▶ **1)** Define your preferences in terms of property type, location, and climate. Choose between buying land to build or acquiring an existing property, each comes with unique considerations. Thorough planning and documentation are crucial.
- ▶ **2)** Partner with an experienced real estate broker for efficient navigation of the complex market. Legal guidance like the one we provide at BDO is essential for a comprehensive due diligence study, ensuring a clear property title and addressing any potential issues.
- ▶ **3)** Closing the deal involves signing a Notary Deed and handling closing costs, negotiable between buyer and seller. Be aware of squatter laws, although legally acquired land is unlikely to be affected. Conduct periodic property checks to avoid potential issues.
- ▶ **4)** For businesses considering Costa Rica as their base of operations, properties can be either acquired or leased.
- ▶ **5)** Take into account the following factors to ensure a smooth establishment in Costa Rica:



Leasing Facilities for Operations:

If a company plans to lease a facility for its operation, special public order regulations apply, meaning agreements contrary to the law are not valid. The rules are mostly pro-tenant. These laws establish the minimum requirements for lease contracts, including:

- ▶ a) Lessor and lessee names.
- ▶ b) Property number.
- ▶ c) Detailed description of the leased real estate (services, accessories, asset condition, etc.).
- ▶ d) Description of movable property included in the lease.
- ▶ e) Purpose of the lease contract.
- ▶ f) Rent amount + VAT.
- ▶ g) Lease term, no less than three years.
- ▶ h) Notifications.
- ▶ i) Date.
- ▶ j) other clauses agreed upon by the parties.

While the law does not require a written agreement, it is advisable to have one reflecting the terms and conditions. Consider paying the fiscal stamp tax in these contracts as a legal requirement as well, equivalent to 0.5% of the total contract value. Additionally, take into account possible condominium fees that may apply if the property is part of a condominium, as described in the next point.

Purchasing Facilities for Operations:

Before diving into real estate, conduct a thorough due diligence on the property, checking everything from the title to any annotations, restrictions and utilities. During this process, it's common to secure a purchase option and use escrow services for deposit safety. The deal's official closing involves transferring property rights through a purchase deed before a Notary, which needs to be registered with the Public Registry of Costa Rica. Closing costs, around 3.5% of the property price, typically fall on the buyer, but this can be negotiated.

When it comes to commercial spaces within corporate centers or office buildings in Costa Rica, they are typically organized as condominium properties, following the regulations set forth in the Condominium Property Regulation Law. However, it's important to note that there may be specific rules and agreements, such as neighborhood associations, that apply to these properties, and they should be thoroughly reviewed before making a purchase. It is important to make sure there are no outstanding fees or obligations to the condominium association.

Lastly, keep in mind that condominiums may also fall under the Free Trade Zone Regime, affecting how the facilities can be used and occupied according to Free Trade Zone laws.

Constructing Facilities for Business Operations:

In Costa Rica, the responsibility for issuing construction permits and collecting the construction value tax falls on municipalities within their jurisdiction. However, there are specific steps to follow before applying for a construction permit if your business venture involves constructing facilities. Here's how the process unfolds:

Preliminary Steps



LAND USE CHECK

1



APPROVAL OF PLANS AND
CONSTRUCTION PERMITS

2



SUBMISSION OF
APPROVED PLANS

3

1. Land Use Check: Ensure that the location is suitable for your project and has access to necessary public utilities. Validate that your project aligns with applicable regulations, which encompass construction, regulatory plans, and Regulations for Housing and Urban Development Control. This also includes compliance with environmental regulations, which often involve preparing and submitting an environmental impact assessment for your project. The National Environmental Technical Secretary (SETENA) is the authority responsible for assessing and approving these environmental impact reports. They've developed criteria for classifying activities based on their potential environmental impact.

2. Approval of Plans and Construction Permits: To move forward, you'll need approvals from various institutions, including the Federated College of Engineers and Architects (CFIA), the Ministry of Health, the Fire Department, Aqueducts and Sewers (AyA), and the National Institute of Housing and Urbanism (INVU). Many municipalities have adopted a digital platform known as APC (Construction Project Administrator) that streamlines the process. This platform allows for the efficient approval of construction plans before the CFIA for qualified and authorized members of the college, as well as public institutions.

3. Submission of Approved Plans: After obtaining the necessary approvals, you'll need to submit a set of plans to the Municipality where your project is located. Depending on the nature of your business, you may also require additional authorizations.



This process ensures that your construction project complies with all legal and environmental regulations, facilitating a smooth transition from plans to reality.

Let's join forces to turn your investment dreams in Costa Rica into a reality.



Let's join forces to turn your investment dreams in Costa Rica into a reality.

Get in touch with Bernardo Gomez – Legal Partner





Tax Regulation



Understanding the intricacies of tax regulations is essential for businesses operating in any region or country, as these regulations play a pivotal role in shaping the ease of conducting business, investment decisions, and overall economic competitiveness. Recent global economic shifts, coupled with the evolving landscape of international trade, have placed a spotlight on the importance of tax regulations. In Costa Rica, as elsewhere around the world, tax policies have undergone significant changes, making it essential for businesses to stay informed. BDO's professional staff is dedicated to helping investors like yourself navigate this complex tax environment with expertise and precision. Let's explore together the key aspects you should consider:

Income Tax and Territoriality Principle

Costa Rica's Income Tax law follows the Territoriality principle, which means that profits sourced from Costa Rica are subject to this tax. The law follows a system of globalization by allocation, which means that business taxation rules (Profit Tax) will apply if the assets generating these profits are allocated to a business activity; otherwise, passive income rules will apply.

Fiscal Period

The fiscal period corresponds to the calendar year, from January 1st to December 31st. These regulations include a procedure to request authorization for a special fiscal period, for example, the fiscal period of the parent company.

Tax Residence / Fiscal Domicile, Branch / Permanent Establishment

Every legal entity incorporated in Costa Rica has tax residence. Permanent establishments are subject to the same taxation rules as taxpayers in Costa Rica, including branches.

Additionally, the Income Tax Law contemplates scenarios in which non-domiciled entities can create permanent establishments based on their characteristics, such as having exclusive contracts granting them the authority to enter into contracts on behalf of the entity. As for individuals, they acquire the status of tax residents by continuously or intermittently staying in the country for a period exceeding 183 days. This determination of tax residence status is made for each fiscal period.

Taxation of Legal Entities and Individuals

The Income Tax is levied on individuals and legal entities domiciled in Costa Rica that engage in profit-making activities from Costa Rican sources.

Taxable Event

It is the perception or accrual of income in cash or in kind, continuous or occasional, from the provision of services, localized goods, capital or rights used in the national territory, as well as any other income or benefit from a Costa Rican source not exempted by the Income Tax Law.

LEGAL ENTITIES (Gross income does not exceed ₡ 120,582,000.00)	
Net Income (Profit)	Rate
Up to ₡ 5,687,000.00	5%
On the excess of ₡ 5,687,000.00 up to ₡ 8,532,000.00	10%
On the excess of ₡ 8,532,000.00 up to ₡ 11,376,000.00	15%
Regarding the excess of ₡ 11,376,000.00	20%

For Gross Income greater than ₡ 120,582,000.00 (approximately US\$ 234,035.00), 30% rate on net income is applicable.

NATURAL PERSONS WITH PROFIT ACTIVITY (Liberal professionals and others)	
Net Income (Profit)	Rate
Up to ₡ 4,127,000.00	Exempt
On the excess of ₡ 4,127,00.00 up to ₡ 6,164,000.00	10%
On the excess of ₡ 6,164,000.00 up to ₡ 10,281,000.00	15%
On the excess of ₡ 10,281,000.00 up to ₡ 20,605,000.00	20%
Regarding the excess of ₡ 20,605,000.00	25%

Deductible Expenses

When it comes to calculating corporate income tax, the formula is quite straightforward: it's based on net profit, which is essentially gross income minus allowable expenses and costs.

These deductible expenses cover everything necessary to generate taxable income subject to the Profit Tax. The key here is documentation – your expenses need to have solid paperwork backing them up. For local purchases, you'll typically require an electronic invoice, and for transactions with foreign entities, a receipt in the format they use should suffice. If there are any tax withholdings applicable to these payments (like salary or remittance withholdings), they should also be in order.

In essence, Costa Rican companies have the flexibility to subtract any essential expenses for income generation from their gross income. This can include items like salaries, professional fees, office rentals, and office supplies.

However, do keep in mind that the Costa Rican Income Tax Law includes certain mechanisms to keep things in check. These mechanisms place restrictions on specific expenses like non-bank financing costs, expenses tied to tax haven jurisdictions, and those associated with hybrid financial arrangements. Also, when it comes to uncollectible debts, it's essential to demonstrate that you've exhausted all legal means of recovery for them to be considered deductible.

Income from Capital: Income from Movable Capital, Immovable Capital, and Capital Gains and Losses

Income and capital gains are regulated in Chapter XI of the Costa Rican Income Tax Law. This chapter includes tax rules applicable to passive income, in particular:

- Income from immovable capital (rents)
- Income from movable capital (investment returns, interest, dividends, rents on movable property, subleases of movable property, royalties, rights of use, copyrights, and other intellectual property rights or intangible assets, contributions to mandatory pension system benefit plans, labor capitalization fund) and
- Capital gains and losses - variations in taxpayers' equity.

The general tax rules for this type of income are as follows:

Income from immovable capital

a 15% rate on 85% of total income received - reported monthly, within the first 15 days of the following month after the tax event.

Income from movable capital

a 15% rate on the total income - without deductions, also reported within the first 15 days of the month following the tax event.

Capital gains and losses

a 15% rate on the difference between the acquisition value of the asset and the transmission value. There are special rules, such as the possibility of applying a 2.25% rate on the sale price of an asset acquired before July 1, 2019, and the application of withholding taxes in the case of a seller of real estate, for example, being a non-domiciled person, in which case the buyer must withhold 2.5% of the sale price.

The obligation to declare and pay this tax only arises when the tax event occurs and is reported within the first 15 days of the month following the one in which the tax event occurred.

The law includes exemption and fiscal neutrality scenarios, for example:

Exemptions: distribution of community property, inheritances, donations

Business reorganization: changes in equity that occur within the context of a business reorganization are considered fiscally neutral, and the assets transferred retain their historical values as a reference for future sale or transfer.

Dividend Taxation

As income from movable capital, the distribution or payment of dividends is subject to a 15% rate on the total amount paid. An exemption applies when the dividend distribution is made in favor of a Costa Rican legal entity with registered economic activity.

Withholding Tax: Remittances Abroad

Payments of income from Costa Rican sources made to non-domiciled entities or individuals are subject to the Tax on Remittances Abroad. The applicable rate varies depending on the nature of the payment, as detailed below:

Dividends	15%
For interest, commissions, and other financial expenses	15%
For technical-financial advisory services and royalty payments	25%
For pensions, retirements, and salaries	10%
In the case of fees, commissions, allowances, and other personal services provided without an employment relationship	25%
Transportation and communication services	8.5%

If income from Costa Rican sources not covered in the above cases is paid or credited, a residual rate of 30% applies. Finally, if there is a treaty to avoid double taxation with the beneficiary's jurisdiction, the rules stipulated in the Treaty will apply.

Indirect Taxes - Value Added Tax

As a general rule since that date, every sale of goods or provision of services carried out in Costa Rica under a commercial activity is subject to VAT. The VAT Law also includes certain scenarios of exemptions (transactions not subject to taxation). The Law also includes scenarios of temporarily reduced rates that used to apply to specific sectors, such as tourism and construction. However, these special reduced rate rules have expired, and the regular rate now applies to these sectors.



Some reduced VAT examples are	
Products included in the list of basic household products	1% rate
Medicines, private education services, personal insurance	2% rate
Airfare tickets and health services	4% rate
Some examples of exemptions include	
Exports	
Sale of goods or services between entities operating under the Free Trade Zone Regime of Costa Rica	
Financial services provided by supervised financial institutions	
Interests related to financial operations	
Some examples of scenarios that are not subject to taxation are regulated in Article 9	
Use of cash for payments	
Sale of real estate or movable property that must be registered in the Public Property Registry	

There are special rules to apply VAT to cross-border digital services, such as Netflix or Airbnb, with two options:

- I) Providers of these services can register with the Costa Rican Tax Administration, or
- II) Authorities define a list of providers updated periodically to instruct credit and debit card issuers to withhold tax on purchases made by Costa Ricans.

Finally, in Costa Rica, the obligation to issue electronic invoices or receipts is generally applied (with some exceptions), and the invoice must include a code for the goods or services, according to an existing catalog (CABYS).

Specific Taxes and Selective Consumption Tax

Selective consumption tax applies to the importation or manufacture of specific products that are considered non-essential. Rates may vary from 1% to 95% with the tax base corresponding to the cost, insurance, or freight, plus import taxes for imported items, or the selling price for products manufactured in Costa Rica.

Examples include beer, wine and spirits; paints and coatings; cigarettes; hair care products, deodorants, and perfumes; detergents and soaps; tires and engines; refrigerators and freezers; washing machines; motor vehicles and motorcycles.

Other Taxes

a. Corporate Tax

In January of each year, the annual tax on Legal Entities must be paid. The deadline for paying the tax is January 31 of each year. All commercial companies, branches, individual limited liability companies, and foreign companies with a registered ID in Costa Rica must pay the tax on Legal Entities.

Type Of Taxpayer	Fee (about the base salary)	Tax to Cancel
Registered in the Registry of Legal Entities of the National Registry, but without being registered in the Single Tax Registry (RUT) with lucrative activity (Inactive Company). Registered in the RUT with lucrative activity (active companies), approved as Income Tax filers by the Tax Administration.	15%	¢69,330
Income Tax Taxpayers (Traditional Regime and/or Income and Capital Gains), with gross income less than 120 base salaries*, in the declarations they were required to submit in the previous period.	25%	¢115,550
Taxpayers in Income Tax (Traditional Regime and/or Income and Capital Gains), with gross income between 120 and less than 280 base salaries, in the declarations that they were required to present in the previous period	30%	¢138,660
Taxpayers in Income Tax (Traditional Regime and/or Income and Capital Gains), with gross income exceeding 280 base salaries, in the declarations that they were required to present in the previous period.	50%	¢231,100

*Current base salary: ¢462,200 (period 2023)- exchange rate: 1 US dollar equals 515 colones

b. Property Transfer tax

The Property transfer tax is equivalent to approximately 1.5% of the highest transfer price or registered value of the property.

c. Solidarity Tax on luxury homes

Luxury residential properties with construction values greater than 145 million colones are subject to the Solidarity Tax.

If this construction value is exceeded, that value must be added to the value of the land and common areas, in the case of condominiums, and progressive rates ranging from 0.25% to 0.55% must be applied. This tax is paid annually and reported once every 3 years.

d. Property tax on real estate

Property taxes are equivalent to 0.25% of the registered value of the property. This tax is paid annually to the municipality in which the property is located.

e. Municipal patent

Any lucrative activity carried out in a municipal territory must have an operating permit, which is obtained by paying a tax. The tax is levied regularly on gross income. Rates vary by municipality and reach up to 0.35% of gross income.

This tax must be paid as long as the lucrative activity is carried out or the license is maintained.

Transfer Pricing Rules:

Transfer Pricing rules are applicable to transactions between related parties, requiring that these transactions be carried out under conditions similar to those they would have if they were carried out between independent parties.

To this date, in Costa Rica there is no obligation to present the Transfer Pricing Study or an informative Return in this regard on a specific date. However, the regulations do require a Transfer Pricing Study if there are transactions between related parties and this Study may be required by the Authorities.

There is no minimum amount or materiality reference for the obligation to carry out the Transfer Pricing study.

Treaties to Avoid Double taxation:

Currently, Costa Rica has such treaties with:

- Spain,
- Mexico,
- Germany and
- United Arab Emirates.

The signing of these treaties implies that Costa Rica limits its right to impose taxes on income generated by tax residents of the other signatory states who carry out operations in Costa Rica. Similarly, if a tax resident of Costa Rica carries out transactions with residents of states with which a double taxation agreement has been signed, the specific rules established in said agreement will apply.

Tax Incentive: Free Trade Zone Regime

A key aspect of Costa Rica's strategy for promoting exports and investments is the Free Trade Zone Regime. This regime comprises a range of incentives and advantages offered by the Costa Rican government to companies that choose to invest in the country.

These incentives encompass tax benefits related to income, imports, and exports, among various others. Consequently, this framework enables companies to streamline their access to essential production inputs, enhance specialization and value addition in local production, and ultimately facilitate easier access to end markets.

Various categories of companies can benefit from this regime, including export processors, trading companies, service providers, park administrators (responsible for managing industrial parks designated for companies under the Free Trade Zone Regime), scientific research companies, processing companies, and Free Trade Zone suppliers.

Among the main exemptions granted to beneficiaries of the Free Trade Zone regime are the following:

A. Exemption from all taxes associated with the export or re-export of products.

B. Exemption, for a period of ten years from the commencement of operations, from paying taxes on capital and net assets, property tax, and real estate transfer tax.

C. Exemption from sales and consumption tax on purchases of goods and services.

D. Exemption from all taxes on remittances abroad.

E. Exemption from all profit taxes, as well as any other tax whose taxable base is determined in relation to gross or net profits, dividends paid to shareholders, or income or sales, in accordance with the following differentiations:

a) For companies located in the Greater Metropolitan Area (GAM), the exemption will be one hundred percent (100%) for up to eight years and fifty percent (50%) in the following four years.

b) For companies located outside the Greater Metropolitan Area (GAM)(*), the exemption will be one hundred percent (100%) for up to twelve years and fifty percent (50%) in the following six years.

A minimum investment is required to apply for the regime, the amount depends on the location in which operations are installed. If the regime is granted, the awarded entity will enter into an Executive agreement with the CR Government, in which all the agreed conditions are specified. The beneficiary of the Regime will file an Operations Report annually to the Authorities.

Type of Operation	Minimum Investment
Within the Metropolitan Area	<ul style="list-style-type: none">• If inside of an Industrial Park \$150,000.00• If outside of and Industrial Park \$2,000,000.00 (exceptional cases only)
Outside the Metropolitan Area	<ul style="list-style-type: none">• If inside of an Industrial Park \$100,000.00• If outside of and Industrial Park \$500,000.00 (exceptional cases only)
Manufacturing Megaprojects	<ul style="list-style-type: none">• \$10,000,000.00



Let's join forces to turn your investment dreams in Costa Rica into a reality.

[Get in touch with Lorna Medina - Tax Partner](#)





Financial Audit



Costa Rica's enduring economic stability, robust legal framework, and ever-evolving business environment position it as a prime location for companies in need of financial audits within the region. However, when embarking on this crucial service, the choice of a reliable partner becomes paramount. At BDO, we grasp the intricacies of the Costa Rican marketplace and offer customized audit solutions designed to align with your unique requirements. Let's review together the essential steps to complete when venturing into the realm of financial audits:

1. Understanding the regulatory framework:

Costa Rica has a set of regulations governing financial audits, including international standards and local laws. Some of the key regulations investors like yourself should take into account are:

- International Financial Reporting Standards (IFRS),
- International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs),
- International Public Sector Accounting Standards (IPSAS),
- and International Audit Standards (IAS).

These regulations are in place to guarantee the accurate preparation of financial statements, the correct assessment and quantification of assets, liabilities, revenues, and expenses, and the provision of pertinent information to uphold transparency and maintain integrity in financial reporting.

2. Determining the Necessity of an Audit:

In Costa Rica, the requirement for external audits depends on various factors, including a company's size, its prominence in the market, banking affiliations, and oversight by regulatory authorities.

Large enterprises designated as Grandes Contribuyentes by the Ministry of Finance are mandated to undergo external audits due to their substantial economic influence and the need for transparent financial reporting.

Companies with significant banking connections or loans from financial institutions often find external audits necessary as part of their credit agreements.

Entities operating within the financial, insurance, pension, and stock market sectors are legally obligated to undergo periodic external audits to ensure the stability of the financial system and compliance with regulatory standards.

3. Choosing the right auditor:

Selecting a registered and authorized local auditor through the Colegio de Contadores Públicos de Costa Rica is crucial. The auditor should have relevant experience and adhere to local regulations and professional ethics.

4. Planning the audit:

Choosing an auditor with industry-specific knowledge is essential for effective audit planning. This involves setting audit objectives, identifying risk areas, and establishing suitable audit procedures.

5. Coordinating all documentation:

Companies must provide auditors with access to financial documents, records, contracts, invoices, and other reports necessary for a comprehensive and accurate audit.

6. Processing the audit:

During the audit, compliance with agreed-upon timelines and providing auditors with access to information and personnel is vital. This may involve interviews with staff, document review, and audit testing.

7. Reviewing all findings:

After completing the audit, results and auditor recommendations are reviewed. Any identified issues or problems must be addressed, including adjustments to financial statements or improvements in internal controls.

8. Documenting and reporting:

Audit reports and other documents must be prepared in accordance with local regulations and submitted to relevant authorities and company management as required for disclosure and reporting.

9. Ongoing monitoring:

Post-audit, continuous advice on accounting and tax matters is provided, including staying updated on local regulations and ensuring ongoing compliance.

When it comes to financial audits in Costa Rica, navigating the intricate process and ensuring compliance with local regulations is paramount. At BDO Costa Rica, we are your trusted partner on this journey. We bring innovation, efficiency, and expertise to every audit, building strong and enduring relationships with our clients. Let us help you on your path to successful financial audit and compliance.

Let's join forces to turn your investment dreams in Costa Rica into a reality.



Let's join forces to turn your investment dreams in Costa Rica into a reality.

[Get in touch with Luis Gomes – Audit & Assurance Partner](#)



Labor Law Issues



Labor laws have a great impact on Costa Rica's business environment. Labor regulations are a vital factor shaping workforce dynamics, employment practices, and overall business competitiveness. In response to evolving workforce expectations and economic demands, Costa Rican labor laws have adapted in recent years. This section provides a comprehensive overview of current labor laws and their significance for businesses. Understanding these regulations is essential for companies operating in Costa Rica, governing various employment aspects. Compliance fosters talent attraction, labor relations, and business sustainability. Costa Rican labor legislation, rooted in history, has evolved to accommodate new investment channels and foreign influences. Having firsthand knowledge of personnel hiring requirements in Costa Rica is crucial for fostering secure labor relations between employers and the workforce. BDO's team of specialized lawyers in this field is well-equipped to assist investors in navigating this complex landscape. Here's a summary of some main points to keep in mind:

Employer Registration

In Costa Rica, individuals and legal entities can become employers. While there isn't a central employer registry, it's mandatory to register with the Costa Rican Social Security Fund (CCSS), a long-standing institution dating back to 1943. Registration can be done in person or virtually and involves submitting monthly workforce reports, including data on new hires, layoffs, and additional payrolls. Employers must also register with the Tax Administration, declaring and withholding Income Tax based on employee salaries. Additionally, employers are obliged to provide workplace accident insurance, the cost of which depends on payroll size and the nature of employees' tasks. BDO's experts can assist investors and businesses in fulfilling these obligations.

Employer Obligations

Income Tax

Individuals engaged in income-generating activities must pay Income Tax. Employers pay their share of the tax based on their income, while employees are responsible for their share based on their earned salary.

In this scenario, the employer must identify the amount of Income Tax that the employee must pay, declare it, and withhold it for payment to the Ministry of Finance. For the year 2024, the Income Tax brackets applied to salaries are as follows:

Salary Earned	Income Tax
Up to ₡929,000.00	No tax
Between ₡929,000.00 and ₡1,363,000.00	10%
Between ₡1,363,000.00 and ₡2,392,000.00	15%
Between ₡2,392,000.00 and ₡4,783,000.00	20%
Excess over ₡4,783,000.00	25%

Social Security

Costa Rica's Social Security system involves shared financial responsibilities between employers and employees. Employers are required to deduct and remit payments from employees' salaries, acting as both contributors and tax withholding agents. The country's Social Security system is grounded in the principles of social solidarity, with contributions directed toward Disability, Old Age, Death Insurance, and Health and Maternity Insurance.

Additionally, employers must make percentage-based contributions, determined by the employee's salary, to various public institutions. The contribution scales are presently structured as follows:

Caja Costarricense de Seguro Social (CCSS)		
Concept	Employer	Employee
Health and Maternity Insurance	9,25%	5,50%
Disability, Old Age, and Death Insurance	5,42%	4,17%
TOTAL CCSS	14,67%	9,67%
Contribution to other institutions		
Institution	Employer	Employee
Banco Popular Employer Fee	0,25%	---
Family Allowances	5,00%	---
Instituto Mixto de Ayuda Social	0,50%	---
Instituto Nacional de Aprendizaje	1,50%	---
Total other institutions	7,25%	---

Caja Costarricense de Seguro Social (CCSS)		
Concept	Employer	Employee
Banco Popular Employer Contribution	0,25%	---
Labor Capitalization Fund	1,5%	---
Supplementary Pension Fund	2,00%	---
Banco Popular Employee Contribution	---	1,00%
Instituto Nacional de Seguros	1,00%	---
Total	4,75%	1,00%
Total		
	Employer	Employee
Total contribution percentages	26,67%	10,67%

That way, the employer should consider an additional 26.67% as an expense on top of the salary paid to each employee. They must also withhold 10.67% from each employee and contribute it to the corresponding institutions.

Workplace Risks

This insurance is paid directly to the chosen insurance company, and only the employer pays it, based on their payroll and the level of job risk. The purpose of this insurance is to cover accidents and illnesses arising from job-related activities. The rate is not uniform; insurers offer different options based on the insured payroll and the type of work performed. Currently, the Instituto Nacional de Seguros (INS) administers this insurance on a national scale.

Fundamental Workers' Rights

Christmas Bonus or Aguinaldo

The Christmas Bonus, known as Aguinaldo, is an annual additional payment typically disbursed in early December. Its calculation is based on the average of the employee's regular and extraordinary salaries earned throughout the year. If the employment relationship concludes before the standard payment date, a proportional amount must be given to the employee upon termination.

Notably, the right to receive the Christmas Bonus is an indisputable entitlement for workers and a legal obligation for employers. It must be disbursed without exception, regardless of the manner in which the employment arrangement concludes. Furthermore, it's essential to understand that this supplementary salary is exempt from both Income Tax and social security contributions.

Vacation

Vacation is the annual rest period granted to all employees, typically spanning a minimum of two weeks for every continuous fifty-week work period.

Eligibility for vacation accrues after fifty weeks of uninterrupted service with the same employer, or proportionally upon termination of the employment arrangement.

Much like the Christmas Bonus, the right to vacation is an inviolable entitlement for the worker and a legal obligation for the employer. It must be granted without exception, regardless of the circumstances surrounding the termination of the employment relationship.

Notice Period

The employee has the right to a specified notice or warning period given by the employer to terminate employment without just cause. The notice must be granted based on the time the worker has been working for the employer as follows:

Period less than 3 months:	No notice required.
Period between 3 and 6 months:	One week's notice.
Period between 6 months and 1 year:	Fifteen days' notice.
Period over 1 year:	One month's notice.

*It should be noted that it is the obligation of both the employer and the worker to provide notice when the employment relationship ends without just cause, so this period serves as advance notice for both parties.
Finally, the employer has the obligation to grant one day off per week to the worker for the purpose of finding a new job.

Severance Pay or Auxilio de Cesantía

This right is established to aid the employee while they transition to a new job. It is granted only in cases of dismissal with employer responsibility. The calculation is based on the following parameters:

Period less than 3 months:	No payment required.
Period between 3 and 6 months:	7 days' salary
Period between 6 months and 1 year:	14 days' salary
Period over 1 year:	Between 19.5 and 22 days per year worked, up to a maximum of 8 recognized years.

The payment of severance must always be made upon termination of employment, either in cases of unjustified dismissal or when the employee reaches retirement age. Payment is recognized for a maximum of 8 years of employment, and the calculation is based on the provisions of Article 29 of the Costa Rican Labor Code.

Ordinary Labor Relationship Regulations

Minimum Wage

The Ministry of Labor and Social Security (MTSS) periodically establishes minimum wage levels for each type of job position by law. The employer has the obligation to pay the salary in the manner agreed upon with the worker, whether it be weekly, bi-weekly, or monthly. It is strictly prohibited to pay less than the minimum wage, which would result in financial consequences for the employer.

Working Hours

The working hours refer to the time during which work is carried out. In Costa Rica, there are three types of working hours: daytime, nighttime, and mixed time.

- 1. Daytime work is performed between 05:00 and 19:00.
- 2. Nighttime work is performed between 19:00 and 05:00.
- 3. A mixed shift includes hours from both daytime and nighttime.

There are regular and overtime working hour classifications, which represent the maximum working time for the employee.

- 1. The regular daytime shift allows for a maximum of 8 hours of work per day, the regular nighttime shift allows for a maximum of 6 hours per day, and the regular mixed shift allows for a maximum of 7 hours per day, all for six days a week. In the case of regular mixed shifts, up to 8 hours of work per day may be established as long as the working conditions are not considered unhealthy or dangerous.
- 2. Overtime is work performed outside of the regular working hours and must be compensated accordingly but should never exceed 12 hours of work per day.

The maximum allowable weekly working hours are 48 hours for regular daytime shifts, 36 hours for regular night time shifts, and 42 hours for regular mixed shifts. In the case of regular daytime shifts, there is a system called the "cumulative workday" in which a worker can work a maximum of 10 hours per day for five days a week, with two consecutive days off.

There is also an exception to the working hours for trusted employees, who are not subject to fixed work schedules, but their regular working hours cannot exceed 12 hours per day. Also, every worker is entitled to one day of weekly rest for every six days worked. In cumulative workd

Holidays

Here is a list of days designated for mandatory paid leave for workers on national or international holidays. In Costa Rica, the following holidays are currently recognized:

- January 1st (New Year's Day),
- April 11th (Juan Santamaría's Day),
- Holy Thursday and Holy Friday (Holy Week),
- May 1st (Labor Day),
- July 25th (Annexation of Guanacaste Day),
- August 2nd (Virgin of Los Angeles' Day),
- August 15th (Mother's Day),
- August 31st (Afro-Costa Rican Culture Day),
- September 15th (Independence Day),
- December 1st (Army Abolition Day),
- December 25th (Christmas).

Employees have the right to observe and celebrate holidays. In cases where business demands work on a holiday, workers are entitled to double pay for that day.

Sick Leave and Maternity/Paternity Leave

In Costa Rica, labor laws ensure that workers receive necessary support during times of illness, maternity, and even paternity.

1. In the case of sickness, workers get a subsidy while they are incapacitated.
2. Pregnant women, are entitled to maternity leave for four months, typically corresponding to one month before childbirth and three months after. Pregnant women cannot be dismissed without just cause and a specific procedure must be followed. The same procedure applies to breastfeeding mothers.
3. Paternity leave covers two days a week for the first four weeks after the birth of a child, totaling eight days of leave.

Termination of Employment

Ending an employment relationship can happen in two ways:

1. Justified dismissal.
2. Unjustified or without-cause dismissal.

In both scenarios, vacation and the Christmas Bonus are always recognized. However, justified dismissal requires the recognition of notice and severance pay. It's important to note that both employers and workers have one year to raise any labor-related issues; after that no claims can be made.



Let's join forces to turn your investment dreams in Costa Rica into a reality.

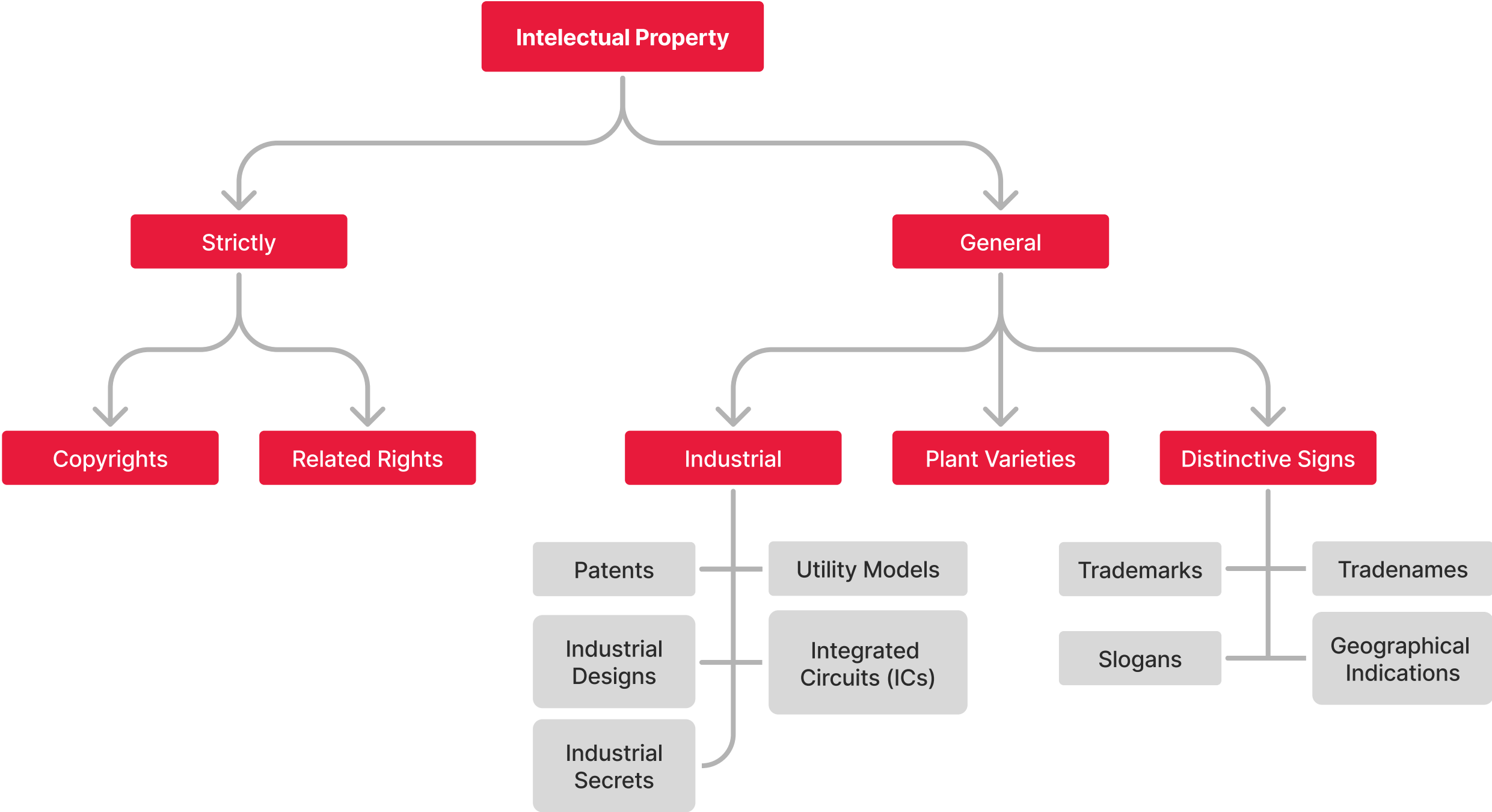
[Get in touch with Andrey Garro – Legal Manager](#)



Intellectual Property and Data Protection



Intellectual Property (IP) is crucial for innovation and competitiveness in Costa Rica's rapidly evolving economy. Protecting and leveraging IP enhances market presence and financial performance. Recognized as movable collateral, IP in Costa Rica is supported by international agreements and a robust legal framework. BDO's experienced professionals can guide investors through this complex landscape.



Strictly

Copyright and Related Rights

Copyright in Costa Rica comprises both personal rights, which are perpetual and inalienable, granting authors perpetual authorship recognition, and economic rights, which are transferable and offer financial benefits. These rights last throughout the author's lifetime and are inherited for a duration of seventy (70) years after the author's death, after which the works become public domain. Additionally, Related Rights, which encompass rights linked to the economic exploitation of the work, are safeguarded. Copyright protection applies from the moment of a work's creation, and the registration process with the Copyright Office typically takes 2 to 3 months if the author chooses to register the work.

General

Patents, industrial designs and utility models

A. Patents protect inventions within the national territory of the country where they are granted, with the possibility of protection in other member countries of applicable international treaties. Costa Rica is a party to the Patent Cooperation Treaty (PCT), TRIPS Agreement (Agreement on Trade-Related Aspects of Intellectual Property Rights), and the Paris Convention, which enable the registration of patents previously registered in other member countries. In Costa Rica, the minimum requirements for an invention to be registered as a patent include novelty, industrial applicability, human invention, and non-obviousness. The protection period is 20 years from the date of application.

B. Industrial designs are drawings or shapes that, due to their composition, result in an invention. Their main characteristic is that they are purely ornamental and aesthetic modifications to a pre-existing product, whether two-dimensional or three-dimensional. The protection period is 10 years from the date of registration. Costa Rica is a party to the Paris Convention, PCT, and TRIPS, which allow for the registration of industrial designs previously registered in other member countries.

C. Utility models, in general terms, are defined in Costa Rican legislation as objects, utensils, devices, or tools that, as a result of a modification in their structure, function, or elements, qualify as inventions because they present a new function for which they were originally created. The protection period is 10 years from the date of application. Costa Rica is a party to the Paris Convention, PCT, and TRIPS, which allow for the registration of utility models previously registered in other member countries.

Patents, industrial designs, and utility models enjoy protection from the moment of their registration. The registration process must be filed with the Industrial Property Registry (and may take between 5, 3, and 2 years, respectively). In all cases, the holder of the invention may claim compensation for damages against any third party that exploits the claimed invention without authorization. Compensation can be sought from the publication of the invention until its grant, and only damages related to the claims made in the application can be claimed.



Trademarks, Trade Names, and Slogans

The regulatory framework for trademarks and distinctive signs in Costa Rica is governed by the Law on Trademarks and Other Distinctive Signs, in conjunction with the TRIPS Agreement and the Nice Agreement. Among the legal obligations imposed on trademark holders is the duty of use. Failure to comply with this obligation may lead to the cancellation of the trademark through established legal procedures (e.g., cancellation for non-use).

A. Trademarks in Costa Rica are defined as means of distinguishing products or services from others through signs or combinations of signs that provide distinctiveness, assurance, advertising, identification, and commercialization potential.

In Costa Rica, it is possible to register factory or trademarks, product or service marks, as well as denominative, design, mixed, olfactory, and sound marks. The duration of protection is 10 years from the date of registration and can be renewed indefinitely every 10 years without restrictions.

B. Trade Names are a type of trademark that exclusively protects commercial establishments engaged in business activities. Trade Names must be registered to protect the commercial establishment with a specific address and can be registered as trade names, denominative distinctive signs, designs, or mixed signs.

The duration of protection for a trade name is perpetual, and it does not require renewal. It may be canceled at the request of the holder or at the request of a third party who can demonstrate that the trade name has not been used within the time frame established by law.

C. Slogans are considered a type of trademark that protects a phrase or slogan used to promote certain products or services.

The registration of a slogan can be done in Costa Rica as long as it is associated with a registered trademark or a trademark in the process of registration. The slogan is subject to the trademark with which it is associated.

The purpose of a slogan is to promote and advertise the products or services of the associated trademark. The duration of protection for a slogan is determined by the validity of the trademark to which it is linked.

The defense of a trademark, trade name, or slogan can be pursued through administrative and judicial means. Administratively, a trademark can be defended through opposition procedures, cancellation for non-use, cancellation for genericization, nullity, and others. Judicially, protection is provided for in the Law on Intellectual Property Enforcement Procedures, which includes criminal and civil proceedings, as well as procedures for interim measures.

Industrial secrets and undisclosed information

These are understood as all confidential business and industrial information that, due to its competitive value, cannot be disclosed.

They are regulated by ordinary civil law and through the Undisclosed Information Law, which establishes sanctions for violations of confidentiality agreements.



Intellectual Property Enforcement Procedures

Through Law 8039, Costa Rica aims to efficiently protect intellectual property rights by establishing civil, criminal, and administrative penalties for both individuals and legal entities who infringe upon these rights.

The law establishes border measures to protect against the import and export of counterfeit goods, civil procedures, and preliminary measures for the recovery of damages resulting from intellectual property infringements.

This law also includes criminal offenses related to trademarks, patents, and copyrights, as well as administrative procedures in these same areas, including copyright, software, industrial secrets, and undisclosed information.

While the law sets out the formal aspects of defense, procedural matters are subject to the civil and criminal procedural rules, following the procedural stages established in the Civil Procedure Code and the Criminal Procedure Code, respectively.

The resolution timelines for intellectual property disputes and processes will depend on the efficiency of the respective courts and may range from 1 to 10 years, depending on the complexity of the case.

Data Privacy

The protection of personal data and information is a significant concern in Costa Rica. Currently, Costa Rica has Law 8968 for the Protection of Individuals Regarding the Processing of Their Personal Data and its Regulation, which regulates the basic aspects of privacy and the processing of personal data. The law also established the Data Protection Agency for Data Subjects (PRODHAB) as the regulatory and governing entity responsible for ensuring compliance with data protection regulations, registering databases, and imposing sanctions for non-compliance with the regulations. Costa Rican legislation includes provisions for:

- a. Citizens' rights under ARCO (Access to Data, Rectification of Data, Cancellation of Data, and Objection to the Use of Data), and it adds the right of data portability.
- b. The definition of sensitive data, encompassing information related to an individual's intimate sphere, such as race, political opinions, religious or spiritual beliefs, socioeconomic status, biomedical or genetic information, sexual orientation, and more.
- c. Cases where informed consent must be obtained from individuals and the essential elements that consent must contain to comply with the law.
- d. The circumstances in which data transfers are permitted are established at the law. It is important to indicate the law admits the data transfer between companies from the same economical group without the previous consent of the individual.



The clear identification of databases that must be registered with PRODHAB, including both public and private databases intended for the distribution, dissemination, or commercialization of the data they contain.

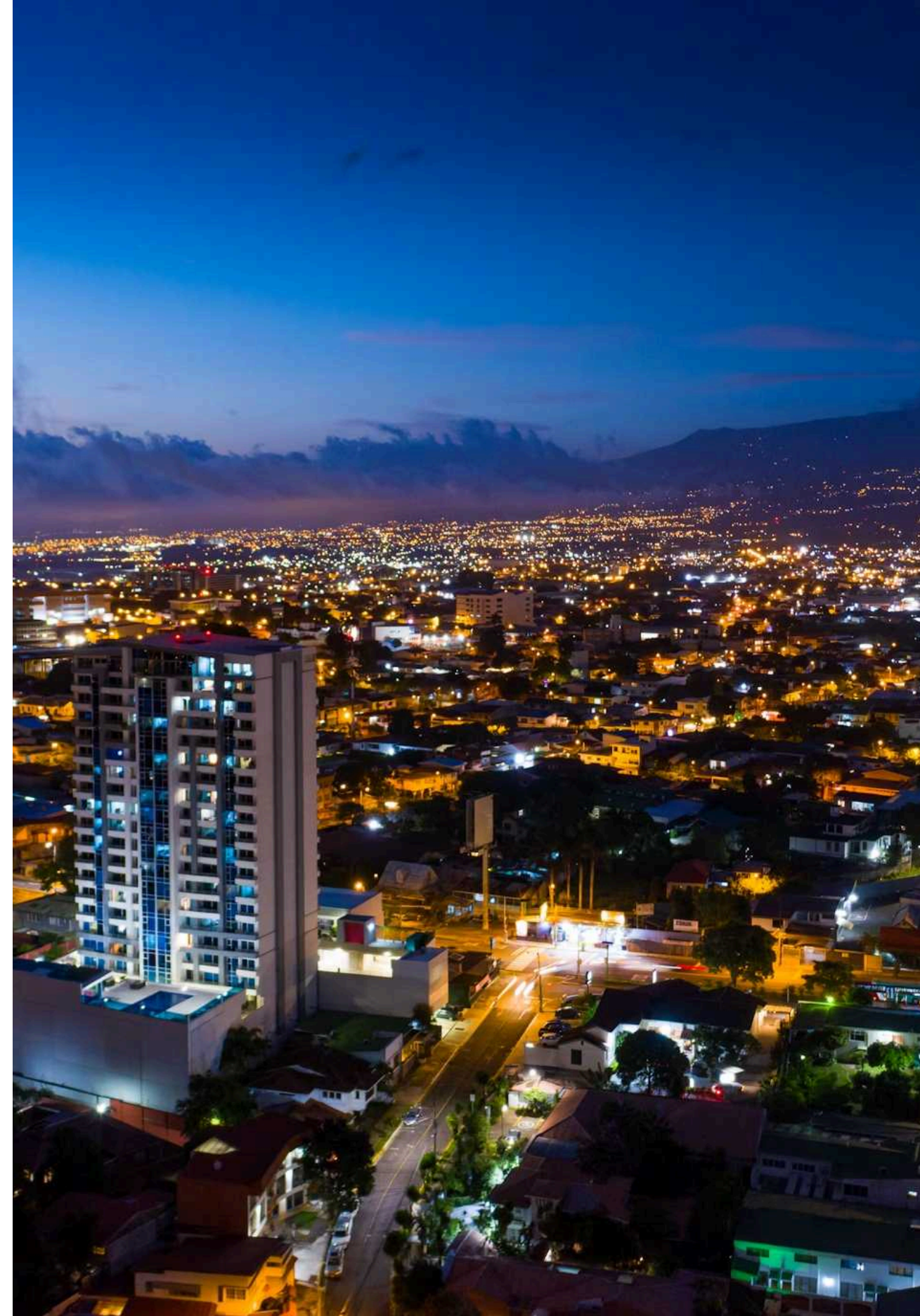
The process of registering a database with PRODHAB may take 1 to 3 months.

Currently, there is legislation in the legislative process aimed at amending the current law to enable Costa Rica to meet the requirements and become a member of the States party to Convention 108+ and to align with the European data privacy standards.



Let's join forces to turn your investment dreams in Costa Rica into a reality.

[Get in touch with Gabriela Miranda – Legal Partner](#)





Migratory Process



Costa Rica's diverse migratory processes are primarily governed by the General Law of Migration and Foreigners and its accompanying Regulations, with additional considerations outlined in specific regulations. All migration-related procedures must be undertaken under the purview of the competent authority: The General Directorate of Migration and Foreigners. Navigating the intricate landscape of migration procedures can be a complex task. Therefore, professional guidance, such as that offered by BDO experts, is invaluable in ensuring a seamless and compliant migration process.

Among the most common migratory processes processed by foreigners are:

1. Temporary residence for investors,
2. Temporary residence for retirees,
3. Temporary residence for pensioners,
4. Temporary residence as a company executive,
5. Digital nomads (legal stay).

However, the applicable law on migratory matters contemplates additional categories such as residence for athletes, religious individuals, legal stay, permanent residence due to a link with a Costa Rican, among others. For foreign investment purposes, the following migratory processes stand out:

Company Registration

All companies wishing to operate can register with the immigration authority. This allows them to apply for the temporary residence of their executives and dependents more efficiently and with less bureaucracy than an ordinary process.

For a company to request registration with the Immigration Authority, it must comply with the requirements of the Regulation for the Registration of Companies before the General Directorate of Migration and Foreigners and the Migration Regulation of its Personnel No. 36576-G-COMEX and fall into one of the following categories:

A. Class A Companies: Companies operating or about to start operations under special export promotion regimes, administered by COMEX and PROCOMER.

B. Class B Companies: Companies exporting goods or services outside special export promotion regimes or engaging in research and development activities.

C. Class C Companies: Companies operating in the tourism sector in Costa Rica, specifically in tourist accommodation, must have a Tourism Declaration and a classification of four stars or more, according to Executive Decree No. 25226MEICTUR of March 15, 1996. The registration of airlines registered with the Airline Association is also authorized, both for passenger and cargo transport, but the latter is authorized only for those with operator status.

D. Class D Companies: Companies operating in the financial sector in Costa Rica, supervised or registered with SUGEF as banking entities or non-banking financial institutions, with SUGEVAL, and those in the process of installation or operating in the insurance sector in Costa Rica, supervised or registered with SUGESE.



E. Class E Companies: Companies in the process of installation or operating in the telecommunications sector in Costa Rica, supervised or registered with SUTEL.

F. Class F Companies: Companies not falling into any of the aforementioned classifications, characterized as multinational companies whose headquarters have decided to establish a subsidiary in Costa Rica, operating in the production and marketing of goods and services. A multinational is understood to be a company with operations in at least 3 countries, excluding Costa Rica.

G. Class G Companies: National or foreign companies operating or about to start operations in Costa Rica and being beneficiaries of a contract promoted by any entity or organ of the Public Administration, provided that the term of the contract exceeds one calendar year. Likewise, companies contractually linked to public entities.

It should be noted that each category has its specific requirements and can be renewed as many times as necessary as long as registration requirements remain valid.

Temporary Residence as a Company Executive

Foreign executives and professionals intending to work for a company established in Costa Rica may apply for temporary residence as a company executive for themselves and their families.

For this purpose, they must demonstrate, among other things, the employment relationship with the company they will work for, the validity of their employment contract, criminal records, birth certificate, and other legal requirements (all of them with the apostille and duly translated into Spanish; the validity of the documents will depend on the validity of the documents will depend on their validity in their country of origin.

If there is no expiration period, their validity will be 6 months according to Costa Rican law) Executives of companies registered with the immigration authority according to the previous point may omit some requirements, and their residence process will be more expeditious than that of an executive of a non-registered company. It should be noted that this type of residence allows the foreigner to work in the country only for the company with which they are professionally linked.

Digital Nomads

Costa Rica's "Law to attract workers and remote providers of international services (digital nomads)," Law 10008, along with its corresponding regulations, introduces a specialized category for Digital Nomads. This designation allows foreigners interested in remote work within Costa Rica to stay in the country for up to two years. The Digital Nomad program offers more streamlined requirements and expedited processing, available through the General Directorate of Migration and Foreigners' digital platform. The primary condition for this migratory status is that individuals cannot earn a salary or income within Costa Rica; instead, their income must originate from abroad, and they must engage in remote work for their employer.



Work Permit for a Specific Occupation

Refers to an authorization granted to a foreigner by the General Directorate of Migration and Foreigners to work for a specific company or employer. To be eligible for the work permit, the foreigner must not only meet the requirements established by law but also their profession and occupation must not be listed in the resolution issued by the Ministry of Labor and Social Security on "Occupations Not Recommended for the Migratory-Labor Categories of "Temporary Residence" and "Worker of Specific Occupation".

The mentioned categories represent only a portion of the various migratory classifications outlined in Costa Rican regulations. These encompass a broad spectrum, including but not limited to domestic workers, specific positions in the agricultural sector, and refugee seekers, among others. Regardless of the specific category, all migratory procedures necessitate processing through the General Directorate of Migration and Foreigners. Resolution periods are subject to the efficiency of this authority and can vary significantly, potentially extending to two years or more based on the complexity of each migratory process. Navigating these processes can be complex, which is where expert guidance, such as the support provided by BDO, can prove invaluable for individuals and companies seeking seamless migration and employment experiences.

In accordance with Resolution No. D JUR-220-05-2024-JM-ABM, all immigration processes submitted starting in July 2024 must have all documentation and requirements completed.

If any document or requirement is missing at the time of application submission, it will be rejected outright, and the applicant will need to re-initiate the process. This resolution further states that the rejection of an application does not allow for any appeals or reviews; therefore, all documentation must be complete and in accordance with the law at the time of submission.

Law No. 9996 and its regulations

For the attraction of investors, resident renters, and retired residents, aims to incentivize the attraction of investor, renter, and retired individuals.

General Benefits:

- A one-time exemption from tariffs and all import taxes for the importation of household goods.
- The importation of up to two vehicles for personal or family use, exempt from all import taxes, tariffs, and value-added taxes.
- Amounts declared as income to qualify for the benefits of the law will be exempt from income tax. Income generated within the national territory from investments made in the country will be subject to income tax.
- A twenty percent (20%) exemption on the total transfer tax for acquired real estate.
- Exemption from import taxes for instruments or materials necessary for professional or scientific practice.



Relevant changes:

- Investment of USD \$150,000: This can be in real estate, stocks, securities, national interest projects, productive interest projects, venture capital funds, and sustainable infrastructure projects.
- Investment in real estate through a legal entity is not permitted; therefore, the investment must be made personally by the foreign individual and will be exempt from income tax.
- The law allows for the importation of household goods with a complete exemption from all import taxes. This can be done once or up to a second time in case of loss of the imported household goods. The benefit extends to dependents.
- It permits the importation of up to two vehicles with a total exemption from all import taxes, tariffs, and value-added taxes. It allows for a twenty percent (20%) exemption on the total transfer tax for real estate acquired within the validity period of the law, provided that the beneficiary is the registered owner of the property.
- Exemption from import taxes for instruments or materials required for professional or scientific practice, as long as it is demonstrated that these are necessary for the applicant.
- Investment through a trust agreement: Only the trustor may qualify for the benefits of the law.

Exemptions and benefits

1. Import Exemptions

- a. Household goods
- b. Instruments or materials for professional or scientific practice
- c. Importation of vehicles

**Registration with the Tax Authority is required.*

2. Exemption from Transfer Tax on Real Estate

- a. A 20% exemption on the transfer tax
- b. If the property is sold or transferred within the validity period of the law, the full amount of the exempted taxes must be paid.

**Completion of the transfer form is necessary.*

3. Tax Residency

- a. Individuals will not automatically be considered tax residents; however, they will obtain this status if the provisions of the final paragraph of Article 2 of the Income Tax Law are met.

**In the event of cancellation of migratory status, the individual must regularize their tax situation.*

All these benefits will apply only if the foreigner opts for residency under the regime of the aforementioned law; otherwise, they may choose a migratory status in accordance with the previous law still in effect, without the indicated tax benefits.



Let's join forces to turn your investment dreams in Costa Rica into a reality.

[Get in touch with Gabriela Miranda – Legal Partner](#)





Who we are and How we can Help

This guide has provided a comprehensive overview of the essential aspects involved in doing business in Costa Rica. We've explored various facets, from legal and financial considerations to intellectual property, labor regulations, and the intricacies of immigration. It's important to note that navigating these complex landscapes can be challenging. That's where a trusted partner like BDO can make a significant difference. We introduce you to BDO and explain how our professional expertise, global network, and specialized knowledge can help you succeed in your business endeavors in Costa Rica. Let's explore the benefits of partnering with BDO, your gateway to success in this dynamic business environment.

BDO Global

BDO, formerly known as Binder Dijkster Otte & Co., is a distinguished global network of independent member firms renowned for providing a wide spectrum of professional services, with a primary focus on auditing, accounting, tax, and advisory services.

Operating across more than 160 countries and territories worldwide, BDO has established itself as one of the world's largest networks of public accounting firms.

The origins of BDO trace back to 1963 in the Netherlands, and its growth over the years, driven by a combination of organic expansion and strategic mergers and acquisitions, has cemented its presence on a global scale. Functioning as a closely-knit network of independently owned and operated member firms, these entities work collaboratively under the BDO banner. This synergy enables them to share resources, knowledge, and best practices, ensuring the delivery of consistent, high-quality services to clients across the globe.

BDO specializes in specific industry sectors, such as manufacturing, technology, real estate, healthcare, and more. This industry-focused approach allows the Firm to offer tailored solutions and expertise to clients in particular sectors.

BDO offers a comprehensive suite of services to clients, including audit and assurance, tax advisory, consulting, legal, and financial advisory. These offerings cater to a diverse array of industries and clientele, ranging from multinational corporations and privately held businesses to government entities, non-profit organizations, and individuals.

In line with other leading accounting firms, BDO places utmost importance on upholding the highest standards of professional quality and ethics. The firm adheres unwaveringly to international accounting and auditing standards, ensuring the precision and reliability of its services. Consequently, it consistently ranks among the top global accounting and consulting firms. Renowned for its members' robust local knowledge and global capabilities, BDO stands as a steadfast and invaluable partner for individuals and businesses seeking exceptional professional guidance and expertise.

BDO Costa Rica

BDO in Costa Rica is a pivotal member firm within the extensive global network of BDO. This experienced team specializes in offering a comprehensive array of professional services, ranging from audit and assurance, tax advisory, consulting, to various financial services.



Notably, in 2021, BDO in Costa Rica further bolstered its capabilities by merging with the prestigious Costa Rican Law Firm Gonzalez Uribe, expanding its offering to include Legal Services, and ensuring that clients have access to a broader spectrum of professional support.

What sets BDO in Costa Rica apart is its strategic focus on local industries, a key facet of its service approach. With dedicated industry-focused teams, BDO in Costa Rica brings its in-depth expertise to sectors directly impacting the local economy. These sectors encompass medical, tourism, manufacturing, technology, and many more.

As a vital component of the expansive BDO global network, BDO in Costa Rica enjoys the privilege of seamlessly tapping into international resources, vast expertise, and best practices. This interconnectedness empowers its clients when navigating not only local but also global business challenges. By partnering with BDO in Costa Rica, investors like yourself can unlock the benefits of a truly integrated and forward-thinking professional network, ensuring their success in a rapidly evolving business landscape.



Let's join forces to turn your investment dreams in Costa Rica into a reality.

[Get in touch with Carlos Gonzalez – Managing Partner](#)



Get to know our Leaders



Carlos González
Managing Partner



Luis Javier Uribe
Leader of Legal
Partner



Bernardo Gómez
Legal Partner



Ana Sáenz
Legal Partner



Claudio Murillo
Legal Partner



Gabriela Miranda
Legal Partner



Luis Gomes
Leader of Audit
Partner



Rafael Carballo
Audit Partner



Emilia Vargas
Audit Partner



Esteban Méndez
Business Services &
Outsourcing Partner



Lorna Medina
Tax Partner



Otto Stecher
Advisory Partner