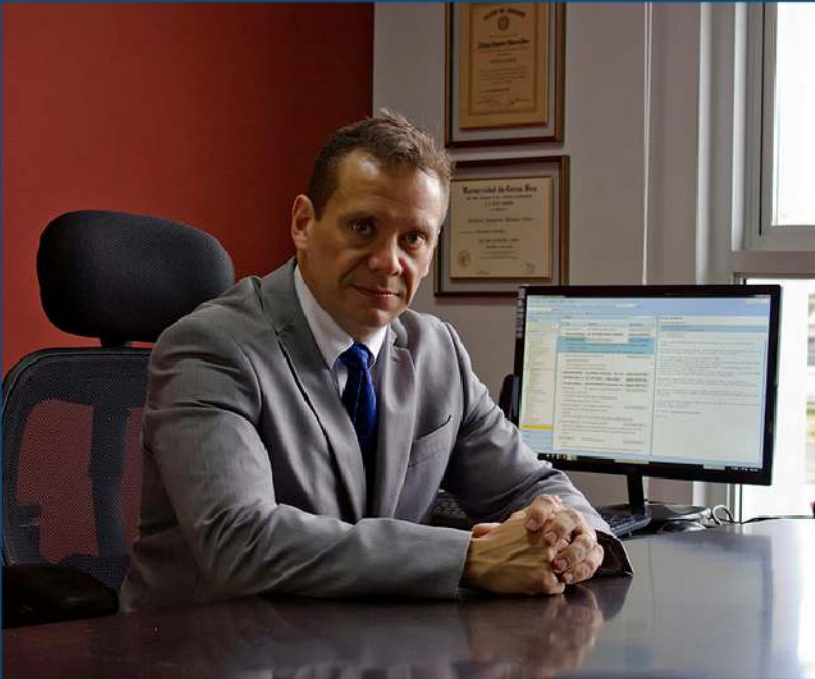


THE **101** OF PROPERTY OWNERSHIP IN COSTA RICA



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Thank you for requesting your free guide to PROPERTY OWNERSHIP 101- COSTA RICA. For us at arturoblancolaw.com it is a pleasure to assist you with any tax, corporate and property matters in Costa Rica.

The following guide summarizes your potential tax obligations for any property/investment in Costa Rica.

Arturo Blanco law
Making you investment in Costa Rica safer.

CONTENTS

- 01. CORPORATE TAXES
- 02. INCOME TAX
- 03. PROPERTY TAX
- 04. LUXURY DWELLING TAX
- 05. VEHICLE TAX

01.

CORPORATE TAXES

If you own property under a Costa Rican corporation (a very common occurrence) there is a corporate tax applicable (starting January 2012). This law creates an annual tax over the registration of a local company or a branch of any foreign corporation.

- The current charge is \$385.00 for an active corporation and half of this amount for an inactive corporation. Active is interpreted as a corporation that has filed taxes returns or has contracts with third parties. A change from active to inactive may be done as long as the company is up to date in the tax.
- The penalty for the accumulation of THREE CONSECUTIVE years of this tax is the automatic TERMINATION of the company.
- The latter will present a serious problem for the owner that comes into this situation, as the process to re-registration of the company is not determined by law and the potential consequences for the owners and the future of the assets are unclear.

The main concern of any owner is to keep this tax UP TO DATE. We at **arturoblancolaw.com** may assist you in this matter.

02.

INCOME TAX

This is a responsibility that is required only for those companies that have commercial activities with third parties, done within Costa Rica (with some exceptions).

- The filling is done after the end of the fiscal year (which runs from Oct. 1 to Sept. 30th). The current filling is done only electronically.
- A large company's tax bracket is 30%.
- The tax for small companies is between 10% and 20%, depending on their income.

03.

PROPERTY TAX

This tax is based on the recorded value of each property, as declared by the owner and determined at the time of purchase. Also the value may be changed by the issuance of a mortgage over the property, or finally, if the local government sends an appraiser.

- The obligation to file a new tax assessment voluntarily is carried out every 5 years by the owner.
- In lack of the presentation by the owner each municipality may send its inspectors to evaluate the property every 3 years.
- The applicable tax is 0.25% of the registered value.
- A single owned property by a person (not a corporation) with a value of less than \$34000.00 is not subject to this tax.

An assessment performed by the Municipality may be challenged by the owner when served. Therefore it is important to have your domicile or legal representative updated.

04.

LUXURY DWELLING TAX

This tax was created for a 10 year term (starting on January 1, 2009). The tax affects only properties that are used as a dwelling or for vacation use, but encompasses both the value of what is built plus any permanent constructions (pools, gazebos, sheds etc).

- The owner has the legal obligation to update the assessment every 3 years on the first 15 days of January.
- If the combined value exceeds \$234000.00 an annual tax that starts at 0.25% with a maximum of 0.55%, is applicable.

05.

VEHICLE TAX

The basis of the vehicle or “road” tax is established by the updated registration value as determined by the DGT (Dirección de Tributación Directa) or Tax authority, each January. Payment issues the road sticker or “marchamo” as it is known in Costa Rica, for the next year.

- The “road tax” is an annual tax payable every month of December.
- Nonpayment generates a 1% monthly moratorium interest with a limit of 20% and an additional 10% penalty.

The annual assessment may be contested by each owner based on evidence of differences with the commercial value.

These are the taxes mostly applicable for those who have invested or relocated in Costa Rica. If you have any specific questions please refer them to info@arturoblancolaw.com

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