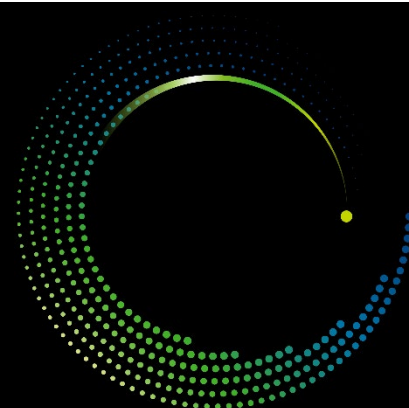


## International Tax Costa Rica Highlights 2023

Updated January 2023



### Recent developments

For the latest tax developments relating to Costa Rica, see [Deloitte tax@hand](mailto:Deloitte_tax@hand).

### Investment basics

**Currency:** Costa Rican Colon (CRC)

**Foreign exchange control:** None, repatriation payments may be made in any currency. Both residents and nonresidents may hold bank accounts in any currency.

**Accounting principles/financial statements:** IAS/IFRS. Financial statements must be prepared annually. “Major” taxpayers must submit audited financial statements to the tax authorities within six months after the fiscal year-end.

**Principal business entities:** These are the corporation, limited liability company, limited partnership, general partnership, and branch of a foreign company.

### Corporate taxation

Rates	
Corporate income tax rate	30% (in general)
Branch tax rate	30%, plus a 15% withholding tax on remittances
Capital gains tax rate	15%/30%

**Residence:** A corporation is resident if it is incorporated in or has a fixed place of business in Costa Rica.

**Basis:** Costa Rica operates a territorial tax system, under which both residents and nonresidents are taxed on their Costa Rica-source income. Residents are subject to profit tax, and nonresidents are subject to withholding tax. Branches and permanent establishments of foreign companies are taxed in the same way as subsidiaries.

**Taxable income:** Income tax is imposed on net income (i.e., profits or economic benefits resulting from services provided, goods located, or investments made in Costa Rica) of a company. Unrealized gains are not part of gross income (including capital gains in specific cases). Expenses that are considered relevant and necessary for generating taxable income may be deducted in computing taxable income.

**Rate:** The standard rate is 30%, with lower rates of 5%, 10%, 15%, and 20% applying to companies that earn income below certain thresholds.

**Surtax:** There is no surtax.

**Alternative minimum tax:** There is no alternative minimum tax.

**Taxation of dividends:** Dividends received by a Costa Rica entity from another domestic entity are excluded from gross income for corporate income tax purposes. However, the distribution of dividends is subject to a 15% withholding tax, with two exceptions. Dividends distributed to another domestic entity are exempt, provided the beneficiary company carries on an economic activity. Dividends also are exempt when the beneficiary company is a controlling entity of a financial group regulated and supervised by the relevant authority (CONASSIF).

**Capital gains:** Capital gains from a Costa Rican source are subject to a 15% capital gains tax. A 30% rate applies if the capital gains are generated from assets used in the taxpayer’s ordinary business activities.

**Losses:** Losses may be carried forward for three years (five years for agricultural losses). The carryback of losses is not permitted.

**Foreign tax relief:** No deduction or credit for foreign taxes is allowed.

**Participation exemption:** There is no formal participation exemption, but Costa Rica operates a territorial system of taxation, under which certain foreign income (such as dividends and royalties obtained abroad) is not subject to tax.

**Holding company regime:** See “Taxation of dividends” and “Participation exemption,” above.

**Incentives:** Industrial, processing, and service companies located in free trade zones are entitled to tax holidays, such as a 100% exemption from corporate income tax for the first eight years of operation and a 50% exemption for the next four years. Other tax holidays are available, as are forest sustainability and tourism incentives.

## Compliance for corporations

**Tax year:** The tax year is the 12-month period from 1 January to 31 December, although the taxpayer may request an alternative period.

**Consolidated returns:** Consolidated returns are not permitted; each company must file a separate return.

**Filing and payment:** A self-assessment regime applies. Advance corporate tax is payable in quarterly installments. The corporate income tax return must be filed and tax paid within two months and 15 days after the fiscal year-end.

**Penalties:** A late payment penalty equal to 1% of the tax due is imposed for each month the tax is outstanding, up to a maximum of 20%. The penalty for underpaid tax varies, depending on the amount of tax due.

**Rulings:** A ruling setting out the tax administration’s position may be obtained from the tax authorities, but it is not binding on the taxpayer.

## Individual taxation

Rates		
Individual income tax rate	Taxable income	Rate
	Up to CRC 4,181,000.00	0%
	CRC 4,181,000.01–CRC 6,244,000.00	10%
	CRC 6,244,000.01–CRC 10,414,000.00	15%

	CRC 10,414,000.01–CRC 20,872,000.00	20%
	Over CRC 20,872,000.00	25%
<b>Capital gains tax rate</b>		15%

**Residence:** Costa Rican permanent residents and individuals who have been in the country for six months or more in a tax year are ordinarily resident.

**Basis:** Residents and nonresidents are taxed on their Costa Rica-source income. Residents are subject to income tax, while nonresidents are subject to withholding tax.

**Taxable income:** Income is taxed under a schedular system. Gross employment income is taxable. Net profits from the carrying on of a trade or profession are taxed in the same way as profits derived by companies. Investment income in the form of dividends is subject to withholding tax.

**Rates:** Personal income tax rates for 2023 are progressive up to 25%. Investment income in the form of dividends is subject to a 15% withholding tax.

**Capital gains:** Capital gains from a Costa Rican source generally are subject to a 15% capital gains tax.

**Deductions and allowances:** No deductions are granted in respect of employment income, although personal allowances are granted for the taxpayer's spouse and children. A taxpayer carrying on a trade or business is entitled to the same deductions as a corporation.

**Foreign tax relief:** No deduction or credit for foreign taxes is allowed.

## Compliance for individuals

**Tax year:** The fiscal year is the 12-month period from 1 January to 31 December, although the taxpayer may request a different period.

**Filing status:** Each individual must file a return; joint filing is not permitted.

**Filing and payment:** A self-assessment regime applies. Advance tax is payable in quarterly installments. The income tax return must be filed and tax paid within two months and 15 days after the end of the fiscal year. Payroll taxes are withheld by the employer on a monthly basis.

**Penalties:** A late payment penalty equal to 1% of the tax due is imposed for each month the tax is outstanding, up to a maximum of 20%. The penalty for underpaid tax varies, depending on the amount of tax due.

**Rulings:** A ruling setting out the tax administration's position may be obtained from the tax authorities, but it is not binding on the taxpayer.

## Withholding tax

<b>Rates</b>				
<b>Type of payment</b>	<b>Residents</b>		<b>Nonresidents</b>	
	<b>Company</b>	<b>Individual</b>	<b>Company</b>	<b>Individual</b>
<b>Dividends</b>	0%/15%	15%	5%/15%	5%/15%
<b>Interest</b>	0%	15%	0%/15%	15%
<b>Royalties</b>	0%	0%	25%	25%
<b>Fees for technical services</b>	0%	0%	25%	25%

**Dividends:** A 15% withholding tax is imposed on dividends paid to resident individuals and nonresidents. The rate is 5% for dividends paid to nonresidents by stock corporations whose shares are registered on a local, officially recognized stock exchange. No withholding tax applies on dividends paid to resident entities that carry on an economic activity (see “Taxation of dividends” under “Corporate taxation,” above).

**Interest:** A 15% withholding tax is imposed on interest paid to a nonresident or to a resident individual. Payments made to a bilateral or multilateral entity/organization are exempt from withholding tax. No withholding tax applies on interest paid to a resident company.

**Royalties:** Royalties paid to a nonresident are subject to a 25% withholding tax. No withholding tax applies on royalties paid to residents.

**Fees for technical services:** Fees for technical services paid to a nonresident are subject to a 25% withholding tax. No withholding tax applies on fees for technical services paid to residents.

**Branch remittance tax:** Remittances by a branch to its nonresident head office are taxed in the same way as a dividend distribution (meaning a 15% withholding tax will be imposed).

**Other:** All Costa Rica-source income paid abroad is subject to withholding tax at varying rates (e.g., 5.5% on insurance income, 8.5% on transportation and communication income, and 15% on lease payments and professional fees, such as management fees (non-technical advice)). Other income from a Costa Rican source that is not included within the previous categories is subject to a 30% withholding tax rate. Services provided entirely abroad (e.g., marketing services) may be exempt from withholding tax.

## Anti-avoidance rules

**Transfer pricing:** Costa Rica’s transfer pricing rules are based on the OECD guidelines. The following transfer pricing methods may be used: comparable uncontrolled price, resale price, cost plus, profit split, and transactional net margin methods.

Taxpayers subject to the transfer pricing rules must maintain documentation to support the pricing of related-party transactions. Taxpayers engaged in domestic or cross-border transactions with related parties, or those defined as large taxpayers, must file an annual transfer pricing information return.

Advance pricing agreements (APAs) are available, under which the taxpayer and the tax authorities may agree to the price of related-party transactions in advance. An APA is valid for a three-year period.

**Interest deduction limitations:** There are no specific thin capitalization rules, but limits are imposed on the payment of interest by a domestic limited liability company to its head office (these rules do not apply to a corporation). Deductions of interest expense on loans from persons other than banks are limited to 20% of EBITDA (earnings before interest, tax, depreciation, and amortization).

**Controlled foreign companies:** There are no controlled foreign company rules.

**Hybrids:** Expenses related to arrangements involving hybrid entities or loans and paid to related parties are nondeductible when the expense does not generate taxable income for the related party.

**Economic substance requirements:** There are no specific economic substance requirements. However, certain tax deductions may be denied in the absence of economic substance.

**Disclosure requirements:** Legal entities must disclose their ultimate beneficiaries on an annual basis.

**Exit tax:** There is no exit tax.

**General anti-avoidance rule:** There is a general anti-avoidance rule. Entities benefitting from special incentive regimes must demonstrate full compliance with the local tax regulations. Entities engaged in intercompany transactions also will be subject to specific transfer pricing rules to prevent tax evasion.

## Value added tax

Rates	
Standard rate	13%
Reduced rate	1%/2%/4%

**Taxable transactions:** VAT is imposed on the sale of goods and the provision of services in Costa Rica.

**Rates:** The standard rate is 13%. Reduced rates (1%, 2%, or 4%) apply in certain circumstances.

**Registration:** Registration is mandatory for businesses, but a simplified regime is available for small and medium-sized enterprises.

**Filing and payment:** VAT is payable on a monthly basis at the time the tax return is filed.

## Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply to both companies and individuals and are imposed at the national level.

**Social security contributions:** The employer must contribute 26.33% of the gross wages paid to its employees. Employed individuals contribute 10.84% of wages, and the contribution rate ranges from 10.5% to 18.5% for the self-employed.

**Payroll tax:** The employer acts as a withholding agent for its employees. The withholding rate ranges from 0% to 15% of gross wages, and tax is paid to the tax authorities on a monthly basis.

**Capital duty:** There is no capital duty.

**Real property tax:** The municipal authorities levy an annual 0.25% tax on the value of real property (land plus any buildings). An annual luxury house tax also may apply, with the rate depending on the value of the property.

**Transfer tax:** A 2.5% transfer tax applies to the transfer of movable property subject to registration; the rate on the transfer of immovable property is 1.5%.

**Stamp duty:** Stamp duty is levied on agreements and contracts, at a rate of 0.5% calculated on the economic value of the document. Stamp duty is not levied on individuals.

A culture and education stamp tax is payable annually on the net capital of entities. The amount ranges from USD 1.50 to USD 18.

**Net wealth/worth tax:** There is no net wealth tax or net worth tax.

**Inheritance/estate tax:** There is no inheritance tax or estate tax.

**Other:** A business license tax is levied annually by the municipalities, at rates ranging from 0.15% to 0.35%.

**Tax treaties:** Costa Rica has four bilateral tax treaties in force, with Germany, Mexico, Spain, and the United Arab Emirates. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) entered into force for Costa Rica on 1 January 2021.

**Tax authorities:** General Tax Agency and General Customs Agency

Contact us:

**Carla Coghi**

Email: [ccoghi@deloitte.com](mailto:ccoghi@deloitte.com)

**Priscilla Piedra**

Email: [ppiedra@deloitte.com](mailto:ppiedra@deloitte.com)

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte's approximately 415,000 people worldwide make an impact that matters at [www.deloitte.com](http://www.deloitte.com).

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2023. For information, contact Deloitte Global.