



商業信託
Commercial Trust



Country Profile: Costa Rica

The Facts

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| Location | Central America, between Nicaragua and Panama |
| Languages | Official – Spanish Spoken – English |
| Nationality | Costa Rican |
| Religions | Roman Catholic – 76.3% Evangelical – 13.7% Others or none – 6.8% |
| Government | Democratic Republic |
| Head of Government | President |
| Legislature | Unicameral Legislative Assembly |
| Constitutional Document | The Constitution of Costa Rica |
| Economy | Costa Rica ranks 2 nd in Political Stability and Absence of Violence Index in Latin America. economy is highly dependent on tourism, agriculture and electronics exports. The economy has quality labor force, ranks 1 st in Latin America in Innovation. Intellectual property protection has high priority in Costa Rica. Also, the government has continuous policies to encourage foreigners to invest, such as offering no limitation on capital funds transfers associated with an investment. |
| Currency | Costa Rican Colón (CRC) |
| GDP (2011) | Total – CRC 20,735.75 billion Per capita – CRC 4,493,610 Real GDP growth – +4.2% |
| Population | 4,636,348 (approx.) |
| Percentage of population | White (including mestizo) – 94% Black – 3% Others – 3% |
| Area | 51,100 km ² |
| Time zone | CST (UCT -6) |
| Public Holidays | National holidays – 10 |
| Climate | Tropical and subtropical |

Sources: CINDE, Central Intelligence Agency, International Monetary Fund



Costa Rica

Being one of the most preferred investment destinations in Central America, Costa Rica is commonly referred to as the Silicon Valley of Latin America. Christopher Columbus, who discovered the coast in 1502, named it Costa Rica, which means 'rich coast' in Spanish. Costa Rica attracts foreign investors with favorable government policies and high level of political stability. Let's take a look at some other major reasons why foreign investors like to invest in Costa Rica.

The Costa Rica Business Climate

There are several reasons to invest in Costa Rica:

- **Strategic location:** Located in the middle of the United States, Costa Rica is well connected with all major US cities. On an average, there are more than 150 different passenger flights per day from Costa Rica to the different cities of America, Canada and Europe. Some major international airports located within five hours travel time of Costa Rica are:
 1. Atlanta
 2. Houston
 3. New York
 4. Miami
 5. Los Angeles
 6. Dallas
 7. Chicago
 8. Toronto
- **Political stability:** According to the Worldwide Governance Indicators 2011 issued by the World Bank, Costa Rica ranks second on the Political Stability and Absence of Violence Index in Latin America. On the other hand, Costa Rica achieved the top rank among the Latin American countries for the Country Brand Index 2011-2012.
- After the country abolished its army in 1948, the political environment of Costa Rica has been very stable and peaceful. The government has successfully ensured safety and security of investment in the real estate sector. Due to the high level of political stability, the country is often referred to as the "Switzerland of Central America".
- **Growth in economy:** Although the country's GDP growth rate went through some fluctuations over the last 10 years, Costa Rica saw a steady annual GDP growth rate of 4.2 percent during 2011-12. The growth rate reached its peak in 2006. However, during the global economic crisis of 2009, there was a significant drop in the country's GDP. Costa Rica has one of the most vibrant economies in Latin America. The real GDP of the country has been growing in a compound annual growth rate of 7.1 percent since 2001. And this makes the nation a major investment destination for foreign investors.

- **Favorable government policy:** The government of Costa Rica established several Free Trade Zones to encourage foreign investment in the country. Doing business in these free zones benefits an investor with tax incentives and other facilities. Some major advantages that a company stands to gain by running a business in one of Free Trade Zones are:
 1. No need to pay import duties on raw materials and capital goods
 2. Total exemption from export taxes, corporate income taxes, and local sales and excise taxes
 3. No need to pay capital tax repatriation
 4. Minimum official formalities to complete
- **Low business operating costs:** The cost of operating a business in Costa Rica is quite competitive. This is mainly because the cost of living is low. As of 2012, a foreign national can live there for less than \$1,500 per month, which is much lower than that of countries in North America and Europe. Despite low costs, the quality of life in the country is up to par.
- **Intellectual property protection:** Costa Rica is a signatory to around 15 international treaties on protecting intellectual property rights. Moreover, there are six national laws for the same purpose. As such, foreign companies that want to setup a business in Costa Rica can rest assured about intellectual property protection. There are different laws to protect the copyright of Trade Marks, Geographical Indications, Industrial Designs and Patents.
- **Skilled workforce:** Costa Rica is home to a skilled and educated workforce, available at comparatively low rates. As of 2011, the country had a literacy rate of 96.1 percent, which is one of the highest in Central America. According to the World Economic Forum 2011, the country's education system ranks 23rd in the world. More importantly, Costa Rican students have access to international standard technical education. There are around 60 universities and 96 technical institutes imparting superior quality higher education in the country.

Setting up a Business in Costa Rica

According to 2012 Doing Business Report by the World Bank Group, Costa Rica ranks 122 out of 183 countries, in terms of the ease of doing business. Establishing a corporation in the country may take longer than several other countries. According to the Doing Business Report, it usually takes around 60 days to get started. Following are some important steps to complete for setting up a company in Costa Rica:

- **Getting the name of the proposed company approved:** Upon deciding a name, the foreign company or investor should check availability of that name, and get it approved from proper authority. It usually takes one day.
- **Notarizing the articles of association:** This step usually take one day and costs around CRC 100,000 for any corporation.
- **Publishing the news of company incorporation in the Official newspaper of Costa Rica:** Upon paying CRC 5,480 for the official newspaper publication, the company should get a receipt and submit it Costa Rican authority. This takes another working day.
- **Depositing capital:** As a rule, the foreign company or investor should deposit 25 percent of the proposed capital stock to a national bank of Costa Rica. This works as a security deposit, and can be withdrawn after the company is formed. Completing this step may take one day.
- **Getting the incorporation charter registered:** This step may take around three to four weeks. After registration, a federal tax number is issued to the new company. Fees required for registration depends on investment capital and several other factors.
- **Filing the Form D-140:** Completing this step usually takes two working days
- **Legalizing the company's records:** This step usually requires another two working days. The company requires filing three accounting books and three corporate books to the Ministry of Property and to the Tax department.



- **Applying for trade license and sanitary permit:** This may take 18 working days, and costs around USD 230. The application of business license should be submitted to the municipality.
- **Registering with Social Security Institution:** This step usually takes around 7 working days. However, there is no registration fee to pay for this.

Some other steps to complete include getting approval from CCSS, and registering with the National Insurance Institute for labor risk insurance.

Taxation

Tax rules in Costa Rica are simpler than those of many other countries in the world. In general, a corporation requires paying municipal taxes, sales taxes, transfer taxes, and corporate income taxes when doing business in the country. However, there are exceptions to this rule. Only the net income earned by a corporation is considered as a taxable income. There is no tax imposed on unreleased gains.

Corporate tax rates charged on a corporation depend upon annual gross income of the corporation. For corporations with annual gross income of up to ₡27.811.00000, the tax rate stands at 10 percent. On the other hand, a corporation with annual gross income of up to ₡55.943.00000 requires paying 20 percent corporate tax on net profit. While for corporation with net annual income of ₡55.943.00000 and more, the corporate tax rate stands at 30 percent. Interestingly, doing business in Costa Rica doesn't require paying capital gain taxes. Moreover, there are several tax incentives for corporations doing business in Free Trade Zones.

The government of Costa Rica imposed a new corporate taxation rule, which took effect from April, 2012. Under the new rule, all active corporations require paying an addition annual tax of US\$ 357, while all inactive corporations must pay an additional \$178.50 per year.

Immigration and Visa Requirements

Citizens of the USA, Australia, England, Canada, and other EU countries do not require a visa for entering into Costa Rica. However, they should have a valid passport and return ticket. A visa is required for citizens of these countries for staying in the country for more than 90 days. Costa Rica doesn't issue business visas separately. Foreign nationals who want to visit the country for employment purpose can apply either for a Temporary Working Visa (for a stay of less than one year) or for Temporary Residents (for more than one year stay). Applying for a visa requires submitting the following documents:



1. A duly filled up application form
2. A proof of the purpose of visit
3. A passport-size photo
4. Return ticket
5. A valid passport with one blank page
6. A proof that the applicant has enough funds to stay in the country for the duration applied

Moreover, those who need to live in the country permanently for business purpose can apply for immigration. The Costa Rica government approves four types of immigrations, namely, representante, pensionado, rentisa, and investor. For foreign investors and representatives of foreign companies, applying for investor status is perhaps the best idea. Getting approval for this requires a minimum investment of \$200,000 USD in Costa Rica.

Banking Requirements

When it comes to opening a bank account in Costa Rica, foreign nationals have two clear options. They can open an account either in a state-owned bank or in a private bank. While government banks facilitate guarantee on deposits, it is usually less cumbersome to open an account in private banks. A bank account in Costa Rica can be opened in dollars or colóns. Following are some key requirements for opening a bank account in the country:

- **Identification:** Foreign nationals require submitting a copy of passport as an identification proof. Some banks may ask for the applicant to additional identification from his/her country of origin.
- **Letters of reference:** A reference letter from the authority of a bank where you already have an account may need to be submitted. An additional reference letter from an account holder of the bank where the applicant wants to open an account may be asked for as well.
- **Utility bill:** This works as an address proof of the applicant. Any document that includes current address of the applicant is generally accepted as a utility bill. It can be a electric bill, telephone bill, water bill, or others.
- **Minimum deposit:** Depending upon policy of a bank, minimum requirement for opening a bank account may vary to some extent. In general, opening a savings account requires a minimum deposit of \$25 or 5,000 CRC. For checking accounts the minimum requirement usually stands between \$500 and \$1,000.
- **Income proof:** Some banks requires showing a income certification for opening an account.
- **Letter of intent:** It is also required to submit a letter of intent mentioning the purpose of visit in Costa Rica. This letter should be issued by the parent company of the applicant from his/her country of origin.

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