



## Costa Rica

<b>General</b>	Types of indirect taxes (VAT/GST and other indirect taxes)	VAT.
	Are there other indirect taxes?	Excise taxes and some specific taxes (e.g. fuel, cement and alcohol).
	What are the standard or other rates (i.e. reduced rate) for VAT/GST and other indirect taxes?	<p>13% is the standard rate for VAT with reduced rates of 0%, 5% and 10%. Excise taxes range typically between 10% and 50%.</p> <p>Reduced VAT rates are applicable on:</p> <ul style="list-style-type: none"> <li>— wood: 10%</li> <li>— residential electricity: 5%.</li> </ul> <p>There are exempt supplies with right to recover input VAT, but only regarding the VAT paid for inputs and raw materials that are physically incorporated in a zero-rated good or service.</p> <p>In general, input tax is not deductible for overhead expenses. The category of exempt items includes nearly 200 different basic products, such as food and other necessities (based on a concept of 'basic basket' or canasta basica).</p> <p>Exports of goods are also exempt, as well as the re-importation of merchandise of Costa Rican origin, occurring within the 3 years following their exportation.</p> <p>There are no zero-rated items for excise tax purposes.</p>
Who is required to register for VAT/GST and other indirect taxes?	<p>A legal entity should be registered as a VAT taxpayer when it sells goods or provides services that are subject to VAT in the local market on a regular basis. There are no thresholds for VAT registration. However, there are several methods providing for an exemption/suspension/reimbursement of VAT, usually in connection with re-export of the goods or with the production of goods sold locally under VAT exemption.</p> <p>In order to register as a VAT taxpayer, it is necessary to have a local presence able to conduct taxable transactions within Costa Rica. This implies either a permanent establishment or the incorporation of a subsidiary/branch/corporation in Costa Rica.</p> <p>Regarding excise taxes, individuals or entities that assemble or manufacture goods above an amount of 2 million Costa Rican colóns (CRC) in market value a year are required to register as a taxpayer.</p>	

<b>VAT/GST registration</b>	Is voluntary registration for VAT/GST and other indirect taxes possible for an overseas company (e.g. if the annual turnover is below the relevant VAT/GST and other indirect taxes registration threshold)?	An overseas company can register as a VAT taxpayer when: <ul style="list-style-type: none"> <li>— it sells goods or provides services that are subject to VAT in the local market on a regular basis</li> <li>— it is an importer of merchandise subject to VAT.</li> </ul> This activity should be performed through a branch, an agency or a representative with general power of attorney or a subsidiary.
	Does an overseas company need to appoint a fiscal representative?	Foreign entities are not allowed to register for VAT in Costa Rica.  Only permanent establishments, local subsidiaries/branches/corporations engaged in regular trading of goods or the provision of services subject to VAT are allowed to register as such. Permanent establishments are treated as any other local taxpayer and therefore are subject to ordinary tax obligations. In order to comply with these obligations, it is expected that the permanent establishment will have a fiscal representative with authority to file income tax returns, respond to inquiries by the tax authorities and to file the registration as a VAT taxpayer.
	Which forms and supporting documentation does an overseas company need to submit for VAT/GST and other indirect taxes registration?	Not applicable.
	Is grouping* for VAT/GST and other indirect taxes possible?	No.
<b>VAT/GST compliance</b>	How frequently are VAT/GST and other indirect taxes returns submitted?	VAT and excise tax returns: monthly.
	What are the exchange rate rules in your country?	In accordance with Resolution 26-2006 issued by the Director of the Tax Administration, transactions in foreign currency must be recorded at the reference exchange rate determined by the Central Bank of Costa Rica. When debts are settled or receivables are recovered, the taxpayer may use the exchange rate determined by the entity it prefers.
<b>VAT/GST recovery</b>	Can an overseas company recover VAT/GST and other indirect taxes if it is not registered for VAT/GST and other indirect taxes locally?	No.
	Are there any exemptions with the right to recover or deduct input VAT?	Yes, the sale of zero-rated goods allows the right to recover input VAT.

\* By 'grouping' we mean: either a consolidation mechanism between taxpayers belonging to the same group (payment and refund are compensated but taxpayers remain distinct) or a fiscal unity for VAT/GST purposes (several taxpayers are regarded as a single taxpayer).

<b>VAT/GST recovery (continued)</b>	Are there any restrictions to the deduction of input VAT?	Input VAT incurred in relation to services not subject to VAT is not recoverable (e.g. exempt goods and services). The Costa Rican system is not a classic VAT system because most goods, and only certain services, are taxed. Furthermore, when manufacturing taxable goods and services, the taxpayer can only credit the VAT paid for inputs, services and raw materials physically incorporated in the good being manufactured or the service being furnished. Otherwise, a VAT credit is not allowed for other costs incurred. Input VAT paid for goods or services used in the commercialization or distribution of goods or of exempt services may also be recovered.
<b>Invoices</b>	Is a business required to issue tax invoices?	Yes.
	Is it possible/mandatory to issue invoices electronically?	Yes. However, in order to issue electronic invoices, the taxpayer must comply with the requirements stated in Directive of the Tax Administration Number 02-09 dated 9 January 2009.  Tax authorities have authorized the use of vouchers under certain conditions.
	Is it possible for recipient to issue tax invoices/self-invoices (self-invoicing)?	No.
<b>Audits</b>	Do tax audits take place on a regular basis?	Only large taxpayers are subject by law to tax audits at least once every 4 years. Other taxpayers are not (in principle) subject to regular tax audits.
	Are there audits done electronically in your country (e-audit)? If so, what system is in use?	Audits are not done electronically in Costa Rica.
	What penalties can arise from non-compliance?	Penalties for non-compliance may range from fines (50% of the applicable tax) to imprisonment.
<b>Special indirect tax rules</b>	In your country are there any special rules for the sale of a company by a taxpayer to another where VAT is not due on the sale?	A sale of the assets (fixed or intangibles) of a going concern is not subject to the sales tax because such goods are not acquired for the purpose of resale or industrialization within the country and hence are not considered taxable merchandise for VAT purposes. Inventories transferred as part of the sale of a going concern are not subject to VAT as long as the purchaser is also a VAT taxpayer (not a final consumer). Used or secondhand goods where the owner did not recover the VAT paid upon purchase are not taxable upon sale.

**Special indirect tax rules (continued)**

**In your country, are there unique specific indirect tax rules that you would not expect to find in 'standard' VAT jurisdictions?**

Yes. The Costa Rican VAT (known as sales tax) does not work as a classic VAT system in which the tax paid in the previous stage of the sale chain (or paid at customs when importing the goods) can be credited to partially offset the VAT liability of the reseller. Another case is when a company has to buy goods subject to VAT to produce an exempt good or service. In that case, the taxpayer would be unable to credit the VAT previously paid but may request an authorization from the tax authorities to purchase those inputs or acquire those services exempt from VAT.

Therefore, as Costa Rica has a non-classic VAT system, expenses related to only partially taxable business can be deducted, only to the extent that these expenses relate to services and raw materials physically incorporated in the good being manufactured or the service being furnished subject to VAT and provided that they are not listed in those excluded by Article 11 of the VAT law. According to Article 11 of the VAT law, the following should be excluded from the taxable base:

- discounts acceptable and normally used under ordinary trading practices if separately indicated in the purchase invoice
- the value on services rendered in connection with the sale of taxable goods, as long as they are furnished by third parties and are invoiced and recorded separately in the accounting registers
- financial expenses invoiced and recorded separately in the accounting registers.

**Does a reverse charge mechanism apply in your country for goods or services?**

No.

**Are there indirect tax incentives available in your country (e.g. reduced rates, tax holidays)?**

VAT legislation allows taxpayers under specific circumstances to request the authorized purchase system. Through this system the VAT liability on importation may be avoided.

The related regulation states that the tax administration might authorize free VAT purchases when it is not possible or it is difficult for taxpayers to offset the VAT credit that otherwise would have been generated against their pending VAT liabilities. This authorization is limited to specific cases.

**Rulings**

**Are rulings and decisions issued by the tax authorities publicly available in your country?**

Yes. They can be accessed at: <http://www.pgr.go.cr/scij/>