

November 24, 2014
2014-107

flash Alert

A Publication for Global Mobility and Tax Professionals by KPMG's Global Mobility Services Practice

Costa Rica – Modifications to Income Tax Brackets, Credits for 2015

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For coverage of last year's tax rates/brackets and credits, see [Flash International Executive Alert 2013-154](#), 22 November 2013

Costa Rica's Ministry of Finance has modified the income tax brackets for the taxable year 2014-2015 (i.e., taxable year from 1 October 2014 to 30 September 2015), as well as the tax credits which may be claimed by individual taxpayers.¹ While tax rates remain the same for individuals, the income tax brackets are adjusted upwards. The adjustments are done in accordance with changes in the Consumer Price Index as determined by the National Statistical and Census Institute.

The KPMG International member firm in Costa Rica has provided updated tables (in English and Spanish) in the recently published "[Update of Income Tax Brackets for the 2015](#)" in its publication *Tax & Legal News Flash* (No. 2014-[9] (October 28, 2014)).

The published tables reflect the new income tax brackets and the rates applicable to individuals (as well as corporations).

Why This Matters

International assignment cost projections and budgeting for assignments to Costa Rica and for assignees outside Costa Rica still subject to Costa Rican taxation should reflect these changes. Where appropriate, adjustments by payroll administrators to withholdings should also be made. The adjustments to the brackets and higher credit amounts should help to keep international assignment costs contained for those employees subject to taxation in Costa Rica.

Tax Credits for Individuals

There are changes to the tax credit amounts. Taxpayers can now claim an annual credit amount of CRC 17,880 per child annually or CRC 1,490 monthly (or for dependents who are disabled or undertaking "advanced studies" when under the age of 25) and CRC 26,760 annually for the spouse (if both spouses are taxpayers, the credit may only be claimed by one of them) or CRC 2,230 monthly.

Footnote:

1 See: Executive Decree N°38692-H published in *La Gaceta* (the official journal) N°223, November 19, 2014. To access *La Gaceta*, see: <http://www.imprentanacional.go.cr/gaceta/>.

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The information contained in this newsletter was submitted by the KPMG International member firm in Costa Rica. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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