

## Possible Exemption From The Luxury Home Tax

The law #8683 created a Luxury Home Tax against all those houses with a value higher than one hundred million colons – approximately \$200,000.00 value. Thus all proprietors with a luxury home were forced to submit a value statement in 2010 that would be valid for three years. The tax Ministry created a value database with the parameters to calculate the proper value so there would be uniform criteria when doing so. Similarly the minimum tax base is adjusted each year to a higher amount, so during 2014 homes with a value less than one hundred twenty-one million colons are not subject to this tax.

This tax has caused so much confusion, even for the Tax Ministry itself, and it seems there is no centralized department that is responsible for managing the tax. The government has also not properly informed the public that under the law one is only liable to pay the tax for those residential houses that are used in a habitual, occasional or recreational manner. This means that if a luxury house is empty or cannot be used to live because it has been damaged then there is no obligation to pay the tax. Likewise, if a real estate developer builds luxury homes the tax is not due until they are sold and therefore someone happens to live in them.

Other possible scenarios would be when a luxury home is used exclusively as offices, or converted to a small hotel, bed & breakfast or similar business, or the Government classifies it as a Historic Heritage Building. In these cases the obligation to pay the tax disappears, as provided in article 13 of the Regulations to the Tax Luxury Homes. What is not clear is how the disenrollment is made in front of the Tax Ministry, as neither the institution seems to have a centralized system for the collection and management of this luxury tax. This makes things very hard for those taxpayers wanting to follow to the law.

I have a client who owns a luxury home for which the tax was paid until 2012, but he has lost the payment receipts. Then the house was damaged during 2013 making it impossible to inhabit. Last week I visited the Department of Tax Valuations in San Jose, where they confirmed the tax was paid until 2012, but could not provide any document proving so, indicating that could



be done by a different department elsewhere in San Jose. They also indicated we should eliminate any future luxury tax over the property, but that it had to be done in the Ministry of Finance of Alajuela as that is where the property is located.

Two days later we went to the other department in San Jose, located in LA LLACUNA building. There they told us we should go to the Department of Tax Ministry in San Jose which we thought was a joke. Then we indicated that we were there because the other department had sent us, and we then felt that all the officials of the Ministry of Finance wanted to do was get rid of users by sending them elsewhere. It turned out that then they accepted to perform our request and were told that the copies of the receipts would be ready two days later ... and so they were. In the end they admitted that this tax is not clear and they are confused on how to handle it.

Following this we presented the request for disenrollment from the luxury home tax at the specified Tax Ministry in Alajuela, where documents were accepted without problem. However they said that "if you had filed this in San Jose they would have sent us the info by email so you did not have to come all the way here." Then we told them that we were sent there by San José officials. In conclusion we can confirm that finally we achieved the procedure as required, after spending a great deal of time and effort over two days, as well as visiting three different buildings, all belonging to the same Ministry, but it is possible.

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