


# Solutions to the Shareholder Law Taking Effect September 2019 in Costa Rica

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In a previous article which can be [read here](#), we spoke about the new coming regulations taking effect starting September 1st, 2019.

Basically, every type of corporation in Costa Rica must proceed informing to Central Bank of Costa Rica who their stockholders are, in order to report who the final Beneficiaries are of the said business. This obligation is to be fulfilled by the President on SA corporations and the Manager of LLCs (the 2 more popular structures of corps in Costa Rica) by using a digital signature through the website of the Central Bank for which having a digital signature is mandatory.

A digital signature is a card similar to any debit or credit card with a SIM chip that gets connected to an USB adaptor. These types of cards are sold by different Banks in the country. Setting previous appointment to get a card at a bank is mandatory, and it will contain personal information of the card holder who also needs to have a pin access number to use it. The cost is around \$70 for the registration process, the smart card, and the USB reader. Foreigners are required to have residency or a valid DIMEX number to get it. This means foreigners only holding passport ID cannot obtain it one.

The aforementioned regulation, together with other recent obligations such as the annual corporate tax, has led many expatriates to consider the possibility of reducing the number of corporations they have, usually inactive and for the sole purpose of protecting assets. A tool that can help in these cases is the possibility of merging companies. Thus, if a person has three corporations with real estate property or vehicles, it is possible that one of them absorbs the other two. In this way, only one corporation is conserved, and it is not necessary to pay transfer taxes for the assets.

For the merger between corporations to be possible, it is necessary to have the legal books up to date, (the books named "ACTAS ASAMBLEA GENERAL and REGISTRO DE SOCIOS). In these books the merger agreement must be established and then a notary is hired to certify everything and proceed to send the documentation to the Registry of Corporations for final registration. Once ready, the legal representative must request to correct the identification number and name on those assets that belonged to the corporations that were absorbed.

Speaking about the annual corporate tax that has been in effect since 2017, it is important to remember that this law opened a window so that all those members of the Board of Directors or persons holding any recorded power of attorney could resign and avoid any future liability. It is important to remember that this window will be closing on September 1, so if for any reason you are part of a corporation and do not want your name there, you must proceed to register your resignation as soon as possible. For resignation it is necessary to prepare a resignation letter and look for a notary to help with "Legalizing" the process.

Another option is to dissolve any corporations being held and to transfer any assets within those corporations into personal name. For this it must be considered that being up to date with the tax on corporations is required. It should also be considered that the transfer tax of the registered property such as real estate property and vehicles has to be paid, and in some cases the cost can represent a significant amount of money. Finally, it is important to keep in mind that for those having registered property in personal name is important to have a Last Will & Testament registered in Costa Rica, in case of death.

**About the Author:** Allan Garro was incorporated as a lawyer and public notary in 1996. He specializes in Litigation, Corporate, and Real Estate Law. He has also acted as an external legal consultant to Congress. He has been the author of more than 100 published English Language articles and can be reached at [email protected]