

# How to be Exempted From Luxury Home Tax in Costa Rica

---

 [news.co.cr/how-to-be-exempted-from-luxury-home-tax-in-costa-rica/79049/](https://news.co.cr/how-to-be-exempted-from-luxury-home-tax-in-costa-rica/79049/)

March 11, 2019

By law #8683 was created to implement a Luxury Home Tax for all houses in Costa Rica where the construction has a value higher than one hundred million colons (approximate USD \$200,000.00). All owners with a luxury home were enforced 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 will be uniform criteria to do so. Similarly, the minimum tax amount is adjusted each year increasingly so during 2018, homes with houses having a value less than one hundred twenty-nine million colons – approximate USD \$227,000.00- are not subject to tax.

This tax has brought much confusion, even for the Tax Ministry itself that seems not to have a centralized department who is responsible for managing the tax. The government has failed to properly inform that under the law owners are only liable to pay the tax for 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 during the entire time that this situation remains. Likewise, if a real estate developer builds luxury homes the tax isn't due until they are sold and 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 and similar, or the Government classifies it as a Historic Heritage site. In this case, 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 the tax department. I have a client who owns a luxury home for which the tax was paid until 2012. He had lost payment receipts. Also, the house was damaged during 2014 making it impossible to inhabit.

One day I visited the Department of Tax Evaluations in San Jose, where they confirmed that the tax was paid until 2012, but did not provide any document proving so, indicating that could be done by a different department elsewhere in San Jose. We were also indicated to eliminate any future luxury tax over the property subject it had to be done in the Tax Ministry of Alajuela because there was the property located. Two days later we went to the other department in San Jose, 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.

It turns out that they finally accepted our request and were told that the copies of the receipts would be ready two days later ... and so it was. We then presented the request for disenrollment on that luxury home tax in front of the Tax Ministry in Alajuela, where documents were accepted without a problem. However, they said that “if you had filed this in San Jose they would have sent us the info by email.” Then we told them that we were sent there by San José officials. In conclusion, we can say that in the end, we achieved the procedures required, for which much time was required during two different days, as well as to visit three different buildings that belong to the same Ministry.

It is important to notice that other circumstances might lower the amount of tax to be paid. If the construction's value matches the value for the tax to be imposed, then the land value needs to be added. However, if part of the land is being used to raise crops or other agricultural reasons the tax can be lowered. Also when part of the house is being used as offices or to run a business then that part of the construction can be exempted from the tax payment. In any case, there are different professionals that can provide an accurate evaluation according to the Government's parameters to see if the construction value is below or above the limit imposed by the Tax Authority.

**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 [\[email protected\]](#)