


# 5 Important Legal Tips for Expats in Costa Rica

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Costa Rica is a small country. However, the number of rules and regulations are certainly overwhelming. There are some legal topics that would not make up an article exclusively but still have a lot of importance. Knowing about their existence can be helpful to Expats residing in the country permanently or temporarily, so here is a mix of legal advice to helping in Costa Rica. Hopefully, it will be useful to all readers.

**1) Marchamo And Car Title Transfer:** All persons/corporations owning a vehicle such as automobiles, SUVs, trucks and motorcycles with Costa Rican license plates are required to pay the MARCHAMO during the month of December each year to drive the vehicle legally in the country. To pay this document it is necessary to have a current approved RTV – Vehicle Technical Inspection. The biggest charge on the Marchamo is the Property Tax, a calculated value according to an estimate approved by the Costa Rican Tax Ministry. If one can prove the current fiscal value is higher on the Marchamo –and it usually is- than the real market value, a claim can be submitted to the Vehicle Department at the Tax Ministry containing: **A.** Letter of claim, **B.** Copy of proprietor's ID, title proof and **C.** Documents showing similar cars have a lower market value. Prices from the Internet or valuations by car dealers will work. That office functions fairly efficiently, responding to claims within a few days. Take into consideration that when buying a used car, the same procedure applies in order to save money on the transfer tax.

**2) Car Insurance:** Even though insurance market was opened to competition in 2010, INS is still the #1 company in the county selling insurance, especially car insurance. However, foreigners need to pay special attention to the existence of a possible catch 22 on their cars' insurance. As we mentioned in a previous article, the new Traffic Law now states that all foreigners staying in the country for more than 3 months are required to get a Costa Rican driving license. Nevertheless, many foreigners residing here decide to “take a chance” by driving with their original country driver's license thinking in case they get caught they will just pay the fine. It is a good idea to read the insurance conditions approved by INS, where states that in case the car is involved in an accident while being driven by a foreigner who stayed in the country for more than 3 months without getting a Costa Rican license, the claim might be declined. Also, INS now declines any compensation for damages caused to a car while towing a trailer, since it has become a popular hobby to tow jet skis, ATV's and small boats. To top things off, claims for damages suffered by a vehicle while crossing rivers or streams, estuaries or lake edges can be declined.

**3) Golfito & Internet Shopping:** You might or might not know there is a Duty Free Commercial Center located in Golfito at the south of the country, near the Panama border, where some big bucks can be saved by purchasing items such as LCDs, Plasma TVs,

Refrigerators, Air-Conditioned systems and so on. The question is: Can foreigners purchase merchandise there? The answer is YES. The limit for purchases per person is approximate 1,7 million colons or \$3,000, according to article 53 contained on law #9356. Now let's focus on Internet purchasing: Can any money be saved on this? Answer is YES again. An International Agreement named CAUCA establishes that Costa Ricans and legal Residents can make purchases of less than USD \$500 –including freight and insurance- every 6 months tax free. Once the purchase is completed you need to contact the company providing the freight service in Costa Rica (Jetbox, Correos de Costa Rica...). They will tell you what to do in order to apply for the exemption.

**4) The Right To Be Forgotten:** In the mid-nineties, a couple of companies started offering credit report services similar to those provided in the United States by collecting data from many different sources, such as the courts, public institutions and private companies. They put the data together and offered online credit reports that allowed subscribers to check any person's credit history and references. Over the years the number of these companies increased as well as the quality/quantity of their services, which include data such as personal address, phone numbers, salary history, criminal records, court collections and recent pictures, to name a few. It has been a valuable tool for credit businesses to identify people who are reluctant to honor their credit obligations. On the other hand, it has caused some people to become a kind of "civil deceased person", causing credit or employment doors to remain closed to them for years because of this data. In order to create a balance and grant people the right to redeem their lives, the Constitutional Court has made decrees such as number 2004- 4626 where it created the "right to be forgotten" Also the Government created an agency named PRODHAB (Agency to Protect People's Data) who established no record can remain for more than 10 years. Anyone affected can request help from PROHHAB if credit companies still show reports containing old information.

**5) Mechanic Liens:** A Mechanic's Lien can be defined as a security interest in the title to property for the benefit of those who have supplied labor or materials that improve the property. The lien exists for both real property and personal property. It is also called as "Construction Lien". This exists in countries like United States as a protection for those providing materials or labor on a property to secure any outstanding payment. However, in Costa Rica does not work that way. For those providing labor or materials only by having a proper commercial invoice according to article 460 of the Code of Commerce can eventually start a Collection and request a court order to place a lien on the property. However, if the property already has a mortgage as guaranty the mortgage owner has preference on payment. Not having a proper document can be a nightmare causing the loss of the work or materials provided.

**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 external legal consultant to Congress. He has been the author of more than 100 published English Language articles and can be reached at [\[email protected\]](#)