

Corporation Tax, Luxury Home Tax and Past due Marchamo Reductions in Costa Rica

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On September 1st, 2017 law number 9428 named Ley de Impuesto a las Personas Jurídicas or Tax on Corporations took effect, imposing an annual tax on all corporations registered at National Registry based on the Code of Commerce such as SAs and LLCs plus all of those branches of foreigner corporations that obtained a corporate ID number for their Costa Rican divisions. This tax is due again for 2019 and needs to be paid before the end of January in order to avoid any extra charges. For inactive corporations the tax amount is approximate 67,000 colons. For active corporations the amount varies depending on their gross income.

Consequences for non-paying the tax on corporations are different: The Registro Nacional will not issue any certifications of the company, popularly named Personerías unless the tax is paid. Those companies that reach 3 years without paying the tax will get dissolved by the Registry of Corporations. Any assets held by those companies will remain attached with a lien as guaranty for the payment. Stockholders and legal representatives will be considered responsible for the tax too. The process of dissolution can be started in 2020 for those companies failing to pay the tax between 2017 and 2019, so it's important to verify payments are in order.

In 2010 By law #8683 a Luxury Home Tax was created for all houses where only the construction has a value higher than one hundred million colons.. Thus, all proprietors 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 data base with the parameters to calculate the proper value so there will be uniform criteria to do so. Similarly, the minimum to pay the tax amount is adjusted each year so during 2019 homes with a construction having a value less than one hundred thirty one million colons – approximate USD \$218,000.00- are not subject to tax.

All luxury home owners are required to submit a new value declaration and pay during January 2019. Initially, the term to do so was no later than January 15th. However, Tax Authorities faced problems with their systems, so an extension was granted until January 25th. The final term is approaching so it's important to take this in consideration. The tax applies to 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 during all the time that this situation remains.

BONUS: the Tax Ministry is applying a reduction on the past overdue marchamos owing on vehicles. If you own a motorcycle, automobile, SUV, truck or similar that is subject to the Marchamo tax, and the vehicle it's behind a few years with the payments you can take advantage of this for a limited time. The reduction means they will forgive all delinquent

interest and 70% of the fines of the pending marchamos for 2015, 2016 and 2017 as long as the pending amounts are paid anytime before February 4th , 2019. If paid before March 4th, 2019 the savings amount drops to 60%. Tax authorities also decided that any pending marchamos for 2014 and before won't be charged at anytime and will be forgotten. In order to take advantage the owner needs to appear at their offices and request for the reduction and proceed with making the respective payments.

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 [\[email protected\]](#)