

TAXES IN REAL PROPERTY IN COSTA RICA

As a real property owner in Costa Rica, with no business conducted on your property, you should be aware about taxes that need to be paid. Failure to pay them would generate penalties and lead to a collection process.

Property Tax & Garbage Collection Fee

Real property owners must pay the Impuestos Bienes Inmuebles (Property Tax) to the municipality/county where the real property is located. This property tax is 0.25% of the registered value of the property, which is either the purchase price paid or the value assigned by the Tax Office.

The garbage collection fee is a fixed amount, adjusted yearly, that must be collected along with the property taxes. The municipality determines the fee based on location and on whether the property is used for residential or commercial purposes.

The Municipality of Santa Cruz does not always charge both in the same statement, causing confusion and problems to owners. The municipality has attributed this to "lack of updated records and/or to administrative errors within the system". Therefore, please review your statement carefully to avoid unpleasant surprises. This property tax and garbage collection fee can be paid a year in advance or quarterly. However, if paid quarterly, you must pay before the end of each quarter in order to avoid interests. The first quarter of the year ends on March 30th. Owners must fill out a form to update the value of the real property every five years. Failure to do so can lead to a Municipality assessment and fines.

Luxury Tax

The Impuesto Solidario para el Fortalecimiento de Programas de Vivienda (Solidarity Tax for the Strengthening of Housing Programmes), law 8683, also known as "luxury tax", applies to both houses and condominiums but not to vacant lots. This tax is based on the construction value. If the construction value is equal or greater than the amount defined by the Tax Office for a given year, then the property is subject to the luxury tax. For the year 2017, the Tax Office set the taxable construction value at 126.000.000 colones, approximately US\$ 229,0000. Those liable for this tax need to complete a form called 'Formulario Único de Inscripción, Declaración, y Pago de Impuesto Solidario para el Fortalecimiento de Programas de Vivienda' every 3 years. This tax must be paid annually on or before January 15th of each year, to avoid interests and penalties.

Proper guidance from a licensed appraiser to determine the proper amount to be paid is highly advisable.

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SOME FACTS ABOUT CR ESTATE PLANNING

*"Da tua dum tua sunt, post mortem tunc tua non sunt".
(Give that which is yours while it is yours; after death, it is not yours).*

Executing a testamentary disposition or a will, in Costa Rica called "testamento", can be one of the most reliable alternatives in estate planning.

The "testamento" is the legal instrument, executed in accordance to formalities established by CR Law, that allows a person, testator, to determine how his or her assets will be managed and distributed at the time of death as well as to appoint the executor of his estate.

In the event that a person dies without a valid "testamento", either by absence or invalidity, the person is considered to have died "intestate" and the distribution of his assets will be governed by the intestacy laws of CR, which determines that the estate of the deceased will be transferred to the "legitimate heirs" according to a previously determined hierarchy who, although blood relatives, might be people the testator dislikes or with whom he is unacquainted.

The "testamento" can be limited to disposition of assets within Costa Rica only and has no legal effects until the person's death. Previous to that moment, the "testamento" can also be revoked or modified.

If you are considering buying any real estate in Costa Rica or already did, you should get proper advice from a CR real estate attorney, who will help to properly set up your CR estate planning and further explain the restrictions or limitations upon the freedom of testators, the requirements and types of "testamentos", and how to avoid inconsistencies with any testamentary dispositions granted in another country.

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