

Costa Rica and Offshore Investment

Aug 9th, 2010

Costa Rica's offshore investment has increased steadily over the past 15 years.

The largest areas of growth is still real estate, but new growth sectors in Biofuels and Medical Travel has seen a sharp rise in the past 5 years.

Costa Rica is a country that is reputed to be the safest and most business friendly of tax havens in Latin America for new businesses, offshore investments and offshore incorporation. Costa Rica treats onshore and offshore businesses in the same manner. The basis of taxation is territorial, with both residents and non-residents paying tax on Costa Rican income, while foreign-source income is not taxed.

Costa Rica is located in the centre of the American Continent and lies just above Panama. The capital and financial centre is San Jose. Costa Rica is one of the most discreet offshore centers in the world and enjoys economic and political stability making it a popular tax haven. Its legal system is based on the Spanish Civil Law.

Features and advantages of offshore incorporation in Costa Rica

Territorial taxation

Provided that the offshore company activities are carried on outside of Costa Rica, the offshore company will not be subject to any income taxes. There is no double tax treaties, thus no information exchange regarding the goods and services transferred. There is no reporting or accounting requirements for offshore company in this tax haven.

Tax free trading with the US

The recently approved Central America Free Trade Agreement with the United States will enable any Costa Rican company to trade with the US markets tax free, which opens to any company one of the biggest markets in the world. Similar Agreements were signed with Canada, Mexico, Chile, China and EC are being discussed.

Name Restrictions

Offshore companies names can be in Spanish and English and must end with S.A., to denote limited liability.

Trading Restriction

A Costa Rican company is not permitted to carry out banking, insurance, mutual fund management, public investment management or any associated activity.

Gaming Activities. Gambling license

In Costa Rica there is no specific gambling license for gaming activities or Casinos online. Corporation that execute online gambling or online casino activities work under a "data processing license". To obtain this license the corporation must have a physical location in Costa Rica.

Disadvantages

Costa Rica is not a member of the Hague Convention. This complicates the legalization of the corporate documents if the company plans opening bank accounts or representative offices outside Costa Rican tax haven.

Privacy of incorporation

To maintain offshore company owners' privacy your lawyer or private corporation service company will form a company with their nominees – board members. Although the owners' details will not be registered at the Registrar, they will be able to manage and control the company using a General Power of Attorney.

Fees

Incorporation of offshore company in Costa Rica ranges from \$300 to \$1500. This amount may include provision of board members for the first year; notarized Power of Attorney in favor of the company owner in English; the corporate package of documents in Spanish with notarized translation of main documents in English; services of registered agent and registered office for the first year of the offshore company existence and registering the company at the Revenue Office as an "inactive company".

Some clients may need to legalize corporate documents for opening representative offices, bank accounts and similar purposes. Legalization fees depend on the rates of the consulates.

The following information is required for the incorporation:

1. Three alternative company names.
2. Full name and address of the manager(s), certified passport copy and proof of address.

3. Full name, address, and phone number to ship the corporate documents by a courier (DHL and FedEx).

Additional services related to the incorporation. Listed briefly they look as follows:

- assistance with opening an offshore bank account (funds can be controlled remotely via Internet. Credit cards are available);
- provision of mail forwarding address in Europe, USA. Mail is collected and forwarded (such an address may be necessary to receive sensitive business and private mail, e.g. bank correspondence, etc.

Provision of space on a web server - offshore WWW hosting. For active Internet users Costa Rica can offer anonymity in their Internet activities: sending email messages, browsing the Internet, electronic banking. All these activities can be conducted in complete privacy using advanced technology.