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Costa Rica

Free Trade Zone Regime

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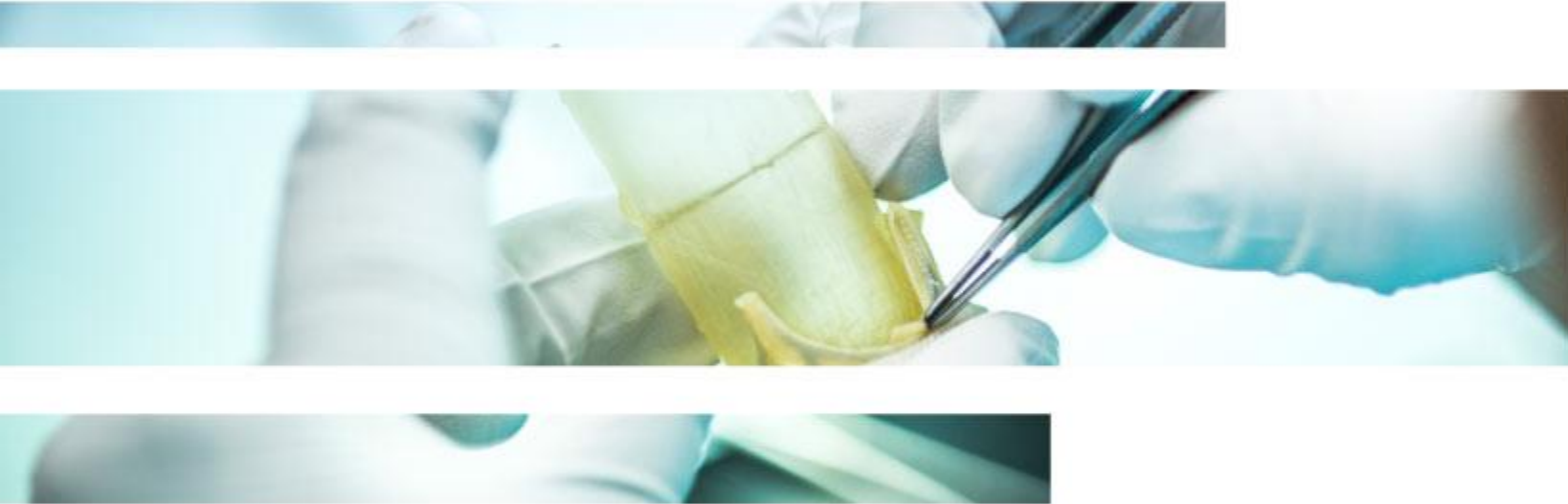
The country's Free Trade Zone Regime provides tax incentives

Multinational companies are encouraged to start up operations under the Free Zone Regime. This regime is the mainstay of Costa Rica's export and investment promotion strategy. The Free Zone Regime is a set of incentives and benefits granted by the Costa Rican government to companies making new investments in the country, as stated in the Free Zone Regime Act N° 7210, Act N° 8794, and in its Bylaws.

The following companies may apply for the Free Trade Zone incentives

- Export manufacturing companies
- Export trade companies (not producers)
- Export service companies
- Companies or organizations engaged in scientific research
- Manufacturing firms which can export or not (minimum export level is no required)

Free Trade Zone incentives for Manufacturing Companies



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FREE TRADE ZONE REGIME – INSIDE GMA

MAIN INCENTIVES



Income Tax Incentives	Time Period	Small / mid-scale projects*	Large-scale projects*
Income tax (statutory income tax = 30%)	8 years	6%	0%
	4 years	15%	15%
Income tax deferral	No limit	Not available	Up to 10 years

Other Incentives	Time Period	Small / mid-scale projects	Large-scale projects
Import duties	No limit	100% exemption	100% exemption
Excise taxes	No limit	100% exemption	100% exemption
Remittances repatriation tax	No limit	100% exemption	100% exemption

* Additional **8-year renewal** may be granted if significant reinvestment is made (Article 20 bis)

* Applies to manufacturing firms under Law 8794

FREE TRADE ZONE REGIME - INSIDE GMA

MAIN REQUIREMENTS



Main requirements (1)	Manufacturing firms*	
	Small / mid scale projects	Large scale projects
Minimum export level	Not required	Not required
Belong to a strategic sector (2)	Yes	Yes
Minimum employment level	Not required	100
Minimum required investment	US\$150,000 (3)	US\$10,000,000 (4)

- Other administrative requirements to be fulfilled (international mobility of investment, not a taxpayer in Costa Rica)

(1) For projects in Greater Metropolitan Area (GMA). [See details for projects outside GMA. See details for a significant supplier.](#)

(2) For example: Advanced Manufacturing and Life Sciences projects, R&D activities, Innovation projects. [See details for strategic sectors.](#)

(3) US\$150,000 in fixed assets within FZ Park or US\$2,000,000 outside FZ Park

(4) Investment in depreciable fixed assets (land is not included). Company must comply with an investment plan to be accomplished between 1 and 8 years; which could be reached at any time during the 8 year period. Upon completion, PROCOMER will verify the \$10MM investment in fixed assets according to its value in books in the year the investment amount was completed. Additionally, once the company has complied with the investment plan, the company must maintain the fixed assets which were part of the plan. Substitution of the fixed assets is permitted only if the new depreciable assets have the same value in books as the fixed asset to be replaced when the investment plan was completed.

Free Trade Zone Regime: Other Considerations

- **PROCOMER ^{a/} Monthly Fee for Manufacturing Companies:** Minimum US\$200 or per m² as follows

Industrial Building ^{b/} (m ²)	Inside Industrial Park (US\$ / m ²)	Outside Industrial Park (US\$ / m ²)
0 - 5,000	0.25	0.50
5,001 - 7,500	0.20	0.40
7,501 - 10,000	0.15	0.30
10,001 or more	0.125	0.25

- **Environmental Guarantee Deposit:** 1% of the total investment
- **PROCOMER Guarantee Deposit:** Minimum US\$5,000 or 3 times Procomer's monthly fee

Notes:

^{a/}: The Costa Rican Foreign Trade Corporation.

^{b/}: Industrial building does not include areas for rest rooms, locker rooms, cafeteria, parking lots, among others.

^{c/}: Metric Conversion: 1 m² = 10.76 ft²

Free Trade Zone Regime (Outside GMA): Main Incentives

Income Tax Incentives	Period of Time	(f) Law 8794 Small scale projects*	(f) Law 8794 Large /mid scale projects*
Income tax (statutory income tax = 30%)	6 years	0%	0%
	6 years	5%	0%
	6 years	15%	15%
Income tax deferral	No limit	Up to 10 years	Up to 10 years
Other Incentives	Period of Time	(f) Law 8794 Small scale projects*	(f) Law 8794 Large /mid scale projects*
Import duties	No limit	100% exemption	100% exemption
Excise taxes	No limit	100% exemption	100% exemption
Remittances repatriation tax	No limit	100% exemption	100% exemption

* Additional 6 / 12 year renewal may be granted if significant reinvestment is made (Article 20 bis)

Free Trade Zone Regime (outside GMA): Main Requirements

Main requirements	(f) Manufacturing firms under Law 8794		
	Small scale projects	Mid scale projects	Large projects
Minimum export level	Not required	Not required	Not required
Belong to a strategic sector (1)	Not required	Yes	Not required
Minimum employment level	Not required	100	100
Minimum required investment (2)	US\$100,000	US\$100,000	US\$10,000,000 (3)

- Other administrative requirements to be fulfilled (international mobility of investment, not a taxpayer in Costa Rica)
- (1) For example: Advanced Manufacturing and Life Sciences projects, R&D activities, Innovation projects
- (2) US\$100,000 in fixed assets within FZ Park or US\$500,000 outside FZ Park
- (3) Investment in depreciable fixed assets (land is not included). Company must comply with an investment plan to be accomplished between 1 and 8 years; which could be reached at any time during the 8 year period. Upon completion, PROCOMER will verify the \$10MM investment in fixed assets according to its value in books in the year the investment amount was completed. Additionally, once the company has complied with the investment plan, the company must maintain the fixed assets which were part of the plan. Substitution of the fixed assets is permitted only if the new depreciable assets have the same value in books as the fixed asset to be replaced when the investment plan was completed

Free Trade Zone incentives for Services Companies



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Services Sector: Free Trade Zone: A tax-free regime

Fiscal Incentives	Period of Time	Tax
Income tax (statutory income tax = 30%)	8 years*	0%*
	4 years	15%
Remittances repatriation tax	No limit	0%
Local sales tax (13%)	No limit	0%
Import, export, excise taxes	No limit	0%

Requirements	Time Frame
Fixed assets investment of US \$150,000 within FTZ Park or \$2,000,000 outside FTZ Park	Within the first 3 years of operation

- Additional 8-year renewal may be granted if significant reinvestment is made (Article 20 bis)
- Export requirement: At least 50% of the services must be exported

Services Sector

Free Trade Zone: Other Considerations

Export requirement	At least 50% of the services must be exported
PROCOMER ^{a/} monthly fee	0.30% of the total monthly sales (in US\$) ^{b/}
Environmental Guarantee Deposit ^{c/}	1% of the total investment
PROCOMER Guarantee Deposit	Minimum US\$5,000

Notes: ^{a/} The Costa Rican Foreign Trade Corporation.

^{b/} In any case the PROCOMER monthly fee minimum is US\$200

^{c/} It applies for companies with transformation process with production residues as part of the operation; for example sterilization and chemical services.



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