

2010

# Costa Rica:

Free Trade Zone Regime

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Intelligence  
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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 # 7210, Act # 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 not required)

## Main Incentives

Manufacturing projects that export more than 75% of the production in Costa Rican operation (\$150,000 investment):

- 100% exemption on corporate income tax (8 years, 50% exemption during the following 4 years)

Manufacturing large scale projects (\$10 million and 100 employees, minimum export level is not required):

- 100% exemption on corporate income tax (8 years\*, 50% exemption during the following 4 years)
- 10% of income tax credit (profit reinvestment in fixed assets, expenses incurred in domestic and foreign training (local and resident employees); and expenses incurred in training of domestic suppliers)
- Up to 10 years income tax deferral (companies can defer income tax payments until headquarters receive dividends from Costa Rican operation or during 10 years (whichever comes first))

## Main Incentives

Manufacturing small and mid scale projects (\$150,000 investment, minimum export level is not required):

- Preferential income tax rate of 6% for 8 years\* and 15% during the following 4 years\*
- 10% of income tax credit (profit reinvestment in fixed assets, expenses incurred in domestic and foreign training (local and resident employees); and expenses incurred in training of domestic suppliers)

Services companies that export more than 50% of the production in Costa Rican operation (\$150,000 investment):

- 100% exemption on corporate income tax (8 years\*, 50% exemption during the following 4 years)

Additionally, all companies operating under the Free Trade Zone Regime enjoy, with no time limit, 100% exemption on import duties, export and excise taxes, and remittances repatriation tax, among others.

Incentives for other type of projects, projects outside Greater Metropolitan Area and for significant supplier will be detailed upon request.

**\* Additional 8-year renewal may be granted if significant reinvestment is made**

# Free Trade Zone Regime

## Main Requirements

Main Requirements	(a) Manufacturing firm Under Law 7210
Minimum export level	75%
Belong to a strategic sector	Not required
Minimum employment level	Not required
Minimum required investment (1)	\$150,000

- Minimum export level is mandatory. Manufacturing firms in FZR are registered under (a) classification. This classification will be granted until 2015 (or later if WTO renewal extension is approved)
- A manufacturing firm in FZR under (a) classification may switch to (f) classification (Law 8794) to enjoy new/additional incentives

(1) \$150,000 in fixed assets within FZ Park or \$2,000,000 outside FZ Park

# Free Trade Zone Regime

## Main Requirements

Main Requirements	(f) Manufacturing firms under Law 8794	
	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	Not required
Minimum required investment	\$150,000 (3)	\$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)
- (2) For example: Advanced manufacturing and medical devices projects, R&D activities, Innovation projects
- (3) \$150,000 in fixed assets within FZ Park or \$2,000,000 outside FZ Park
- (4) Investment in fixed assets (land is not included). To be completed in 8 years

# Free Trade Zone Regime

## Main incentives

<b>Income Tax incentives</b>	<b>Period of Time</b>	<b>(a) Law 7210</b>	<b>(f) Law 8794 Small/mid scale projects*</b>	<b>(f) Law 8794 Large scale projects*</b>
Income tax <small>(Statutory income tax =30%)</small>	8 years	0%	6%	0%
	4 years	15%	15%	15%
Income tax credit	No limit	Not available	10%	10%
Income tax deferral	No limit	Not available	Not available	Up to 10 years

  

<b>Other Incentives</b>	<b>Period of Time</b>	<b>(a) Law 7210</b>	<b>(f) Law 8794 Small/mid scale projects*</b>	<b>(f) Law 8794 Large scale projects*</b>
Import duties	No limit	100% exemption	100% exemption	100% exemption
Export and excise taxes	No limit	100% exemption	100% exemption	100% exemption
Remittances repatriation tax	No limit	100% exemption	100% exemption	100% exemption

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

# Contact Us

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