

An added benefit of living in Costa Rica

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You probably already know that Costa Rica is a middle-income, developing economy, with a tradition of democracy. The life expectancy at birth in this Central American nation is one of the world's highest – besting both the United States and the United Kingdom. Tourist facilities are extensive and because English is a second language, the country feels very visitor-friendly.

The land is mostly coastline – beaches galore and great surfing. As for the weather, it's made for leisure. The climate is both tropical and subtropical; with a dry season from December to April and a rainy season from late summer to early fall.

Costa Rica is a nature-lover's paradise. Its progressive approach to conservation ensures that its jungles and the biodiversity which thrives within them continue to house the wide array of species from birds to butterflies – as well as a wide range of flowers – we have frequently written about in our newsletters.

But what you might not know is according to *International Living* – a print and virtual publication that prides itself on helping its readers discover places to improve their quality of life, to lower their cost of living and to invest for profitable returns before the rest of the world catches on – there's much more to Costa Rica than rainforests, beaches, wildlife and floral variety.

Aside from the South Pacific Coast of Costa Rica now being the best place to invest for appreciation and offering a great opportunity for early investors, did

you know it is one of the best places on Earth to set up an offshore corporation?

While there are many different reasons that make it one of the best places, here are the most appealing ones:

Privacy: Costa Rica has a secrecy law that protects the identities of those who own private corporations. This can keep prying eyes from your business and banking activities.

Tax advantage: Depending on the laws in one's country of citizenship and in the countries where one does business – such as how corporations are taxed on income, inheritance and capital gains relative to private individuals – it may be advantageous to conduct business through a private Costa Rica based corporation. Since Costa Rican corporations only pay tax on Costa Rica-sourced income, when combined with the tax laws of some countries of origin, additional tax breaks may be available. It should be noted for U.S. citizens and resident aliens, there can be serious and costly tax implications in creating and operating an offshore international business corporation. One should always check with their tax expert before they proceed.

Real Estate advantage:

Aside from the fact that Costa Rica does not impose a capital gains tax on real estate, a corporation in Costa Rica can legally own real estate both in the country and out; so many people can use their Costa Rican corporation for property transactions globally. It is advisable to check with an attorney in the country where property is being purchased to ensure there are no adverse taxes or legal consequences there. In Ecuador, for example, there is no problem buying property through a foreign corporation, while in



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Honduras, it's strictly prohibited. Along the same lines as a tax advantage, one needs to consider inheritance laws when buying real estate. Some countries have strict laws that dictate what personal assets are distributed when someone passes away. But in Costa Rica the assets of a corporation can be transferred independently of these laws, allowing one to leave property to whomever they choose. Additionally, individuals can set up a Sociedad Anónima (S.A.), also known as an anonymous corporation. By having a corporation owning property rather than an individual owning it, one can sell the corporation and its assets (in this case property) and as such avoid transfer taxes on the sale of property; as technically one is selling shares in the company rather than the property.

It's easy to set up: Everything can be set up through e-mail in a matter of weeks, including the registration of the corporation, creation of the by-laws, naming of the officers and shareholders, and the creation of the required accounting books.

It's relatively inexpensive to set up: One can have the whole thing set up "turnkey" for less than \$1,000 USD. By comparison, it runs about \$3,500 USD to set up a Cayman Islands corporation, which has long been considered a popular destination for offshore corporations, and roughly \$2,000 USD in Honduras for setting up a similar structure. Additional expenses include about \$100 USD a year for having a resident agent (required by Costa Rican law) and \$100 USD to have one's tax return prepared and filed. If the corporation generates income in Costa Rica, this would be higher.

Prior to any decision it is always wise to engage legal experts when it comes to setting up an offshore corporation. Because Costa Rican law doesn't permit attorneys to advertise, it's difficult to "window shop" for one either in the major papers or on the Internet. So, when choosing an attorney in Costa Rica, be sure to get a recommendation from a trusted source. Ask friends and relatives who have done business in Costa Rica, or feel free to contact Pacheco Coto, Hacienda Matapalo's strategic legal partner and one of Costa Rica's oldest and most reputable law firms.

