



United States Cross-Border Tax Guide Costa Rica

Residency Requirements

Pensionado Residency (Retirees with a steady pension income.)

- ▶ **Proof of lifetime pension income** of at least \$1,000/month from a government or private pension source.
- ▶ Must visit Costa Rica at least **once per year**.
- ▶ Cannot work in Costa Rica, but **can own a business**.
- ▶ Must enroll in **Caja** (public healthcare system).

Rentista Residency (Individuals who do not have a pension but can demonstrate a stable, verifiable source of income.)

- ▶ **Proof of Income or Deposit:** Applicants must prove a stable fixed income—commonly calculated as US\$2,500 per month. In lieu of a monthly income, some choose to make a deposit (often around US\$60,000) in a Costa Rican bank as a guarantee for future income.
- ▶ **Duration:** The income or deposit requirement is generally established for a minimum period (such as over the course of two years) before or during the residency process.
- ▶ **Supporting Documents:** In addition to financial proof, you must submit police records, medical certificates, and other standard documentation (passport, etc.).
- ▶ Must enroll in **Caja** (public healthcare system).

Inversionista (Investor) Residency (Those who plan to contribute directly to the Costa Rican economy through business investment or real estate.)

- ▶ **Minimum Investment:** Applicants typically need to invest a minimum sum (often around US\$200,000 or as defined by current regulations) into a business, property, or government-approved project.
- ▶ **Proof of Funds:** Documented evidence of the investment funds, including bank statements and proof of the actual investment (contracts, receipts, or business incorporation documents).
- ▶ **Business or Investment Plan:** A clear outline showing how the investment will benefit the Costa Rican economy may be required.
- ▶ **Additional Documentation:** Standard forms, background checks, and health certificates are also needed.
- ▶ Must enroll in **Caja** (public healthcare system).

*Additional types of residency exist for Family and Marriage applications

Foreign Tax Requirements

Monthly Tax Filings (Active Business)

- ☐ **IVA (Sales) Tax.** Impuesto al Valor Agregado, a Value-Added Tax (Similar to a Sales Tax), is a 13% tax paid by the renter of real estate and filed monthly with Hacienda. **Due on the 15th of the month, for the previous month**
 - The return must be filed even if there was no taxable activity (a zero return is still required).
 - If the 15th falls on a weekend or public holiday, the deadline is usually moved to the next business day.
- ☐ **Income Tax (Impuesto sobre la Renta):** A 15% monthly tax is paid based on gross income. Deductions of up to 15% are allowed to reduce the taxable portion. A detailed calculation is shown on the following page. **Due March 15th**
 - Quarterly Advance Payments (Pagos Parciales), may be necessary
 - Small taxpayers (Régimen Simplificado): May have different obligations or simplified procedures.

Annual Filings (Business)

- ☐ **Hacienda Simplified Deceleration** (For Inactive Entities) to report to Hacienda that the entity is not active and not generating income. **Due May 30th**
- ☐ **Corporate Tax** (Also referred to as a Franchise/Corporate Fee). Paid to maintain the entity to be active legally. **Due from January 1st to January 31st**
- ☐ **Beneficiary Report:** This report discloses the entity's beneficial owners. **Due from April 1st to April 30th**
- ☐ **Property Tax.** A tax on real estate based on 0.25% of its appraised value. **Due March 31st** *It's important to note that payment options and deadlines may vary slightly depending on the municipality.
- ☐ **Luxury (Solidary) Tax.** The Luxury Tax is a levy applied to residential properties whose value exceeds a specific amount, currently at ₡168,583,000 (about \$332,000). **Due January 15th**

Transaction-Based Taxes

- ☐ **Real Estate Transfer Tax.** Real estate transfer tax is calculated as 1.5% of the selling price of the real estate or its property tax value, whichever is higher.

United States Foreign Tax Credit (Form 1116)

Example Costa Rican Income Tax Calculation (Impuesto sobre la Renta)

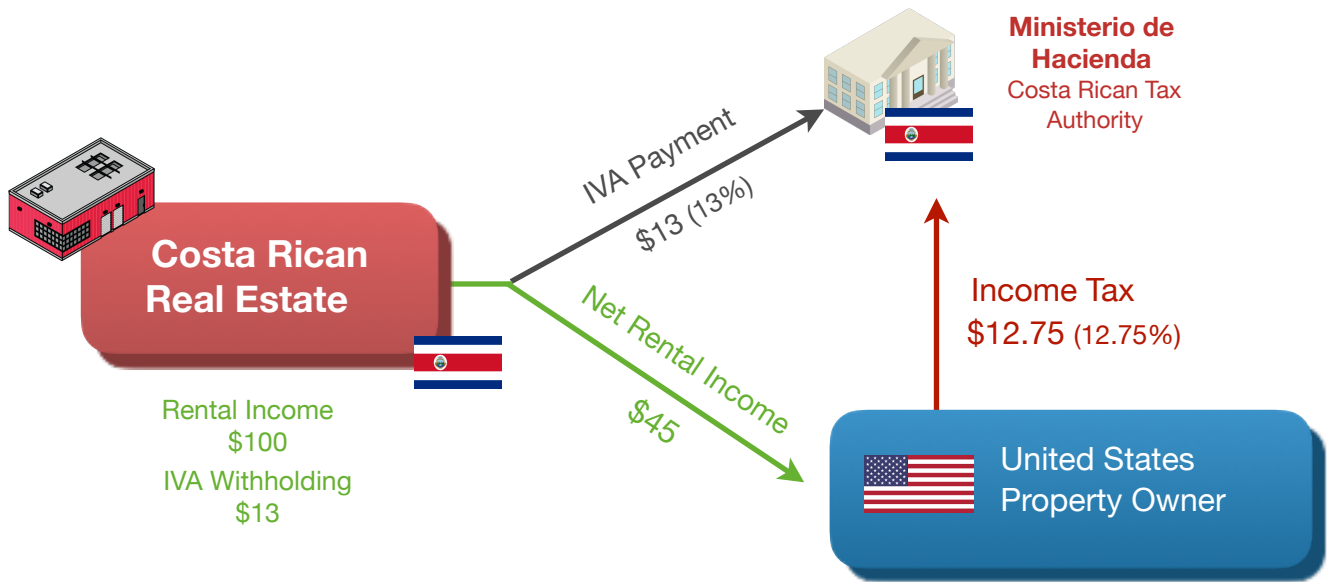
Below is a hypothetical Costa Rican tax calculation of Net Income, based on the rental income of \$100, Management Fees of \$20, Operational Expenses of \$35, and corresponding income tax.

*The example below is reflected in dollars for simplicity, but the tax filing and payment are made in Colones.

Amount Collected	\$113
IVA Paid	\$-13
Gross Rental Income	\$100
Property Management Expenses	\$-20
Operational Expenses	\$-35
Net Income (Before Tax)	\$45
Costa Rican Income Tax	- \$12.75
Net Income (After Tax)	\$32.25

Income Tax Calculation	
Gross Income	\$100
Allowable Deductions	- \$15
Taxable Income	\$85
Tax Rate	15%
Income Tax	\$12.75

In this hypothetical example, the effective tax rate is 22.78%, calculated by considering all taxes paid and the gross income. The IVA filing is due on the 15th of the following month, and the Income Tax declaration is made on March 15th of the following year.



Form 1040 Foreign Tax Credit

Example United States Foreign Tax Credit Allowance

(Individual Income Tax Return)

Gross Income	\$113
Sales Tax	\$-13
Property Management Expenses	\$-20
Operational Expenses	\$-35
Depreciation	\$-5
U.S. Taxable Income	\$40
U.S. Tax	\$6
Foreign Tax Credit	\$6
U.S. Tax	\$0

Aside is a hypothetical example of a U.S. person owning the same property directly and reporting the income, expenses, and foreign taxes on their individual U.S. tax return. In the example below, Foreign Tax Credits are claimed, resulting in no U.S. tax owed.

*Alternatively, if the Costa Rican property was owned by a Foreign Corporation, U.S. Foreign Tax Credits may not be available, and instead, different tax implications apply, depending on the parent owners and certain tax elections.

Foreign Tax Paid	\$12.75
Maximum Credit Allowed	\$6
Foreign Tax Credit (Passive)	\$6
Credit Rollover to Next Year	\$6.75

The Foreign Tax Credit (FTC) is a U.S. tax benefit that allows taxpayers to reduce their U.S. income tax liability by the amount of foreign income taxes they have paid or accrued to a foreign country. It is designed to prevent double taxation and is generally limited to the portion of U.S. tax attributable to foreign-sourced income.

In this case, the credit applies to Passive Rental Activities.

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