

COSTA RICA – TAX CONSIDERATIONS ON SHARING YOUR SPACE FOR SHORT-TERM ACCOMODATIONS

The following information can help you get started in learning about some of the tax requirements that might apply to you when providing short-term accommodation in Costa Rica.

Tax can be tricky and it is important to ensure that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are supplying short-term accommodation in Costa Rica, you should ensure that you understand each of the following types of taxes, and pay the ones that apply to you;

- Real Estate Capital Income
- Income Tax
- Value Added Tax (VAT)
- Corporate Tax

Please understand that this information is for informational purposes only and should not be considered legal, tax, or any other type of advice. If you are unsure about your local tax obligations, we encourage you to check this with official local sources, or to seek advice from qualified professionals.

Please note that we don't update this information in real time, so you should confirm that the laws or procedures have not changed recently.

TAX GENERALITIES

The Costa Rican tax year

The fiscal year runs from January 1st to December 31st.

Obligation to pay Costa Rican income tax.

You are required to pay income tax if you generate income in Costa Rica, regardless whether you are domiciled or not in the country. The obligation to file the tax returns persists if you are registered, regardless of whether income was generated throughout the year.

Reporting tax in Costa Rica.

Income tax and VAT returns in Costa Rica must be filed throughout the Tax Authorities web platform "ATV". Nationals and residents can access the platform using their ID number. In case of foreign hosts, a NITE (Special Tax ID by its name in Spanish) must be requested to the Tax Authorities.

Costa Rican Tax Authority contact details.

The phone number for the Costa Rican tax authorities is +506 2539 4000

REAL ESTATE CAPITAL INCOME TAX

This tax applies on the income generated as a host for the rental of the properties and applies generally for all income generated by the rental of properties.

Reporting Tax - filing deadline.

The filing of the return and payment of the tax must be made within the first 15 days of the following month in which the income was generated. This tax would apply only to the income generated by reserves of accommodations. This tax would not apply to income derived from experiences. The tax return should be filed only for the months in which you received income.

Tax rate.

The tax rate is 15% on gross income. However, the taxpayer is allowed a single deduction of 15% per month, without the need for receipts. For example, if the host generated US\$1.000 of income during the month, the host could deduct US\$150, and would pay 15% over US\$850, paying a total of US\$127.5 of income tax.

INCOME TAX ON PROFITS

If you earn income in Costa Rica and have at least one employee registered before the Social Security, you can request authorization to the Tax Authorities to change to this regime instead of the Real Estate Capital Tax. The below is a brief outline of the tax obligations that will arise on income earned from short-term in Costa Rica if you change to this regime, and some information on how this tax can be paid to the local tax authorities.

Income tax - filing deadline.

The income tax return filing deadline is March 15th for all the Costa Rican taxpayers.

Income tax - payment deadline.

Once your tax return has been filed, the payment of the tax must be carried out before March 15th.

Costa Rican income tax rates.

For Legal Entities:

- Up to 5.286.000,00 colones (US\$ 8.900 approximately) of gross income is taxable at 5%.
- From 5.286.000,00 colones up to 7.930.000,00 colones (US\$13.300 approximately) of gross income is taxable at 10%
- From 7.930.000,00 colones up to 10.573.000,00 colones (US\$ 17.700 approximately) of gross income is taxable at 15%
- From 10.573.000,00 colones up to 112.070.000,00 colones (US\$186.600 approximately) of gross income is taxable at 20%
- Gross income above 112.070.000,00 colones is taxable at 30%

For Natural Persons:

- Up to 3.836.000,00 colones (US\$6.500 approximately) of gross income, the income is exempt
- From 3.836.000,00 colones up to 5.729.000,00 colones (US\$ 9.600 approximately) of gross income is taxable at 10%
- From 5.729.000,00 colones up to 9.555.000,00 colones (US\$15.900 approximately) of gross income is taxable at 15%
- From 9.555.000,00 colones up to 19.150.000,00 colones (US\$31.900 approximately) of gross income is taxable at 20%
- Gross income above 19.150.000,00 colones is taxable at 25%

Typical expenses that can be deducted from the gross income in relation to short-term accommodation under the Income Tax on Profits Regime.

You can deduct expenses that are directly connected with renting out the property. This can include, but is not limited to:

- Internet, water, electricity usage.
- Cleaning, (insofar connected to the stay of the tenants).
- Advertisements (including the Airbnb Service Fee).

VALUE ADDED TAX (VAT)

VAT can be complicated and you should take time to understand the rules as they apply to you and your particular situation.

Broadly speaking, VAT in Costa Rica is a tax on goods and services. Most goods and services supplied in Costa Rica are subject to VAT.

A person who supplies goods and/or services in Costa Rica will have to charge the VAT and pay this VAT to the tax authorities. As with all taxes, we encourage you to consult with a tax advisor regarding your potential VAT obligations in Costa Rica.

Do I need to collect any VAT from guests if I provide short term accommodations in Costa Rica?

Short-term accommodations in Costa Rica are subject to VAT. Invoices issued by the Host should include VAT. It is the responsibility of the host to issue invoices to the guest for the accommodation including 13% VAT and to file the monthly VAT return.

Currently, you are required to register as a taxpayer in Costa Rica if you supply goods and/or services subject to VAT. There is no registration threshold. As such, once you begin supplying short-term accommodations of properties located in Costa Rica, you should register as a taxpayer for VAT purposes.

We encourage you to consult a tax advisor if you need assistance in determining whether you are allowed to deduct input VAT incurred.

For further guidance on registering for VAT, please see the Costa Rican tax authorities' [website](#).

VAT applies to me. How do I determine how much tax I need to collect from my guests?

The general VAT rate in Costa Rica is 13%, which must be added to the price of the accommodation to be charged to the guest. Airbnb does not automatically add VAT to the price of the accommodation, so it is important that you remember to include VAT on your price to comply with your tax obligations.

Some formalities, such as issuing a receipt or an invoice to your guests, may be required. For further guidance on filing returns, please see the Costa Rican tax authorities' [website](#). We recommend that you check your VAT related obligations and the applicable invoice requirements with a local tax advisor.

ADDITIONAL TAX OBLIGATIONS FOR HOST

In addition to the aforementioned taxes, the hosts that provide short-term accommodations in Costa Rica have the following obligations:

- Register before the Tax Registry with form D-140.
- Issuing electronic invoices.
- File tax returns and make timely payments.
- Filing of the VAT and Real Estate Capital Tax or Income Tax returns and keeping an adequate accounting in accordance with the international accounting regulations (IFRS), as well as keeping the support documentation.

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