



Do I need a corporation in Costa Rica to buy a Real Estate?

In Costa Rica, the word **sociedad** refers a company or partnership, which many people translate as “corporation.” There are **several types of sociedades**, from general partnerships (*una Sociedad en Nombre Colectivo*) and limited liability partnerships (*una Sociedad en Comandita*) to the more common **limited liability corporations** (*una Sociedad de Responsabilidad Limitada*) and standard **corporations** (*una Sociedad Anónima*, commonly referred to as an S.A., pronounced *essay-ah*).

It has been very common in Costa Rica for years to use companies as holding entities to hold real estate or vehicles. The rationale was to protect those assets from third parties since Costa Rica Law separates the company assets from those of the individual. Costa Rica did not have a practice of piercing the company veil to get at the company assets of the individual.

Although this is not the intended purpose of the Costa Rica company which is created under the Commercial Code which is intended for commercial activities. Despite this, the use of companies to hold assets became commonplace and it was inexpensive and there were no further obligations for the owners once the company was formed and operational.

The primary reason was always to **protect against liability**. Today, a corporation **will not insulate you from liability**. For example, if you were to cause an accident and get sued as a result, assets in a corporation are not kept separate from a lawsuit. (As an alternative, get good car insurance!)

The primary reason to open and own a corporation remains: **you plan to own a business in Costa Rica.**

The other advantage – and you’ll have to run your own cost-benefit analysis – is in **estate planning**, a corporation can **help families avoid probate**.

In the simplest terms, if you own certain types of corporations for example LLC, you can add your children or heirs as partners (even inactive) in your company. When parents pass away, their adult children/heirs may present a certified death and then assume



executive powers for the corporation. This is a much, **much easier process** than Costa Rican probate or the inheritance process (known as *sucesorio*).

Since the law changed, most of the clients decide to buy personally and acquire insurance immediately and make a will in Costa Rica to avoid future problems for their heirs.

That's because most of the advantages have now been legislated away, replaced with **costs and annual taxes** that typically add up to a couple of hundred U.S. dollars per year – again, without the benefits you once would have had.

Obligations

- Payment of the Yearly Corporations Tax: As of April of 2012 the Costa Rican government passed a Law #9024 that mandates that all existing legal entities are obligated to pay a yearly flat tax. If the companies are active they have to pay every January the equivalent of approximately US \$350.00 or approximately US \$125.00 for inactive ones.

- Corporate Maintenance: Because corporations normally own valuables it is important to maintain them properly and that requires certain organization. Corporations have to celebrate a mandatory yearly shareholders meeting, have to maintain a Resident Agent, have to keep the legal books in custody and have to declare and pay corporate income tax if they have commercial activity.

We can provide more information according to your needs if you book a meeting in person or virtual, contact us now to the email of our main attorney tatiana@cocogrouppm.com

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