

CASA CANADA GROUP



COSTA RICA INFORMATION

**INVESTMENTS
RESIDENCY
LAWS, RULES AND REGULATIONS
2004**

CASA CANADA GROUP

POSTAL ADDRESS

P.O. Box 1068 Centro Colon
San José 1007, Costa Rica

STREET ADDRESSES

Casa Canada
Corner of Ave. 4 & Calle 40
San José, Costa Rica

Casa Canada Anexo 1 and Anexo 2
Ave. 2 between Calles 38 & 40
San José, Costa Rica

CENTRAL TELEPHONES

506-257-6646

506-222-1722

FAXES

506-255-0061

506-233-1152, 506-222-8233

E-MAIL

arcr@casacanada.net

ccgroup@casacanada.net

WEB SITE

www.casacanada.net

EXCHANGE RATE - September 1, 2004: 1\$ US = 443.41 Colones

CONTENTS

	Page No.
CASA CANADA (and location map)	9
INTRODUCTION	10

CASA CANADA GROUP COMPANIES

ARCR ADMINISTRACIÓN S.A.

Association of Residents of Costa Rica

Costa Rican Residency	12
Thinking of Moving to Costa Rica?	12
What is it like to live in Costa Rica?	13
About the ARCR	14
Membership Fees	15
Seminars on Costa Rica	15
Types of Residency and Requirements	16
Residency Costs	17

ADMINISTRACIÓN CORPORATIVA CANADIENSE COSTARRICENSE S.A.

Formation and Administration of Companies

CLIENT SERVICES

Banking	18
Credit and Debit Cards	18
Corporate Services	18
Financial and Investment Management	19
Costa Rican Company Incorporation Data	19
Advantages of a Costa Rican Corporation	21
Companies in Offshore Jurisdictions	22

PROPERTY MANAGEMENT S.A.

Professional Residential and Commercial Real Estate Management

Company Information	24
Management Services	25

ADMINISTRACIÓN HIPOTECAS CANADIENSE COSTARRICENSE S.A.

Professionally Administered Mortgages and Loans

Mortgage Program	27
Procedure in Granting a Mortgage	28

VENTAS DE VIAJES S.A.

Domestic and Foreign Travel, Tours and Excursions

CANADIAN COMMERCIAL CORPORATION S.A.

Real Estate Sales and Rentals

APPENDIX ‘A’

A GUIDE TO COSTA RICAN LAWS, RULES AND REGULATIONS

REAL ESTATE LAWS IN COSTA RICA

The Fifty Meter Zone	31
Municipal Lease Land - The 150 Meter Zone	31
Frontiers and Border Land	32
Title	32
Deposits	32
Options and Contracts	32
Property Transfer	33
Property Tax	33
Leases and Rental of Property	33
Squatters	34

LABOUR LAW

Social Security	35
Vacations	35
Holidays	35
Income Tax - Personal	35
Insurance - Personal Injury (Workman's Compensation)	36
Termination	36
Minimum Wage	37
Trial Period	37
Domestic Employees	37
Benefits Summary	38

STATUES OF LIMITATIONS

Cheques	39
Debts	39

INCOME TAX

Personal Income Tax on Salary	40
Self-Employment	40
Corporate Income Tax	40
Loss Carry forward	40
Minimum Capital	41
Depreciation Allowances	41
Corporate Borrowing	41
Payment of Shareholders	42
Dividends	42
Tax Year End	42
Education Stamp Tax	42

INSURANCE

Instituto Nacional de Seguros	43
Vehicle Insurance	43
Household Theft Insurance	43
Medical Insurance	44
Household Building Insurance	44
Household Liability Insurance	45
Electronic Equipment Insurance	45
Life Insurance	45

VEHICLES AND TRAFFIC LAW

Import Duties	46
Marchamo (Annual license decal)	46
Vehicle Technical Inspection	46
License Plates	47
Traffic Offences	48

CATEGORIES FOR MANUFACTURING & EXPORTING

The Free Trade Zone	49
Temporary Admission or Drawback Industries	49
Promotional Agencies	49

BANKING

National Banks	50
Private Banks	51

LEGAL AND GOVERNMENTAL SYSTEM 52

SALES TAX

Goods Sold	53
Restaurants	53
Airline Tickets	53
Hotel Rooms	53

WITHHOLDING TAXES 53

DEMOGRAPHICS

Population percentage by age group	54
Access to Telephone	54
Area of the Country	54
Population by area	54
Radio and TV	54
Newspapers and Magazines	54

TELEPHONE SERVICE

Long Distance Rates	55
Commercial Phone Cost	55
Residential Phone Cost	55
Cellular Phone Cost	55
Internet Cost	55
Long Distance within Costa Rica	55
Sales Tax on Phone Bills	55
Redialling	55

ELECTRICAL SERVICE

Domestic Service Cost	56
Commercial Service Cost	56
Percentage of Costa Ricans with Electricity	56
Types of Power Generation	56

APPENDIX ‘B’

EXCHANGE RATE OF THE COLON - 1992 to 2003	57
--	-----------

APPENDIX ‘C’

INFLATION IN COSTA RICA – 1999	57
INFLATION IN COSTA RICA – 2000 & 2001	58
INFLATION IN COSTA RICA – 2002 & 2003	59

APPENDIX ‘D’

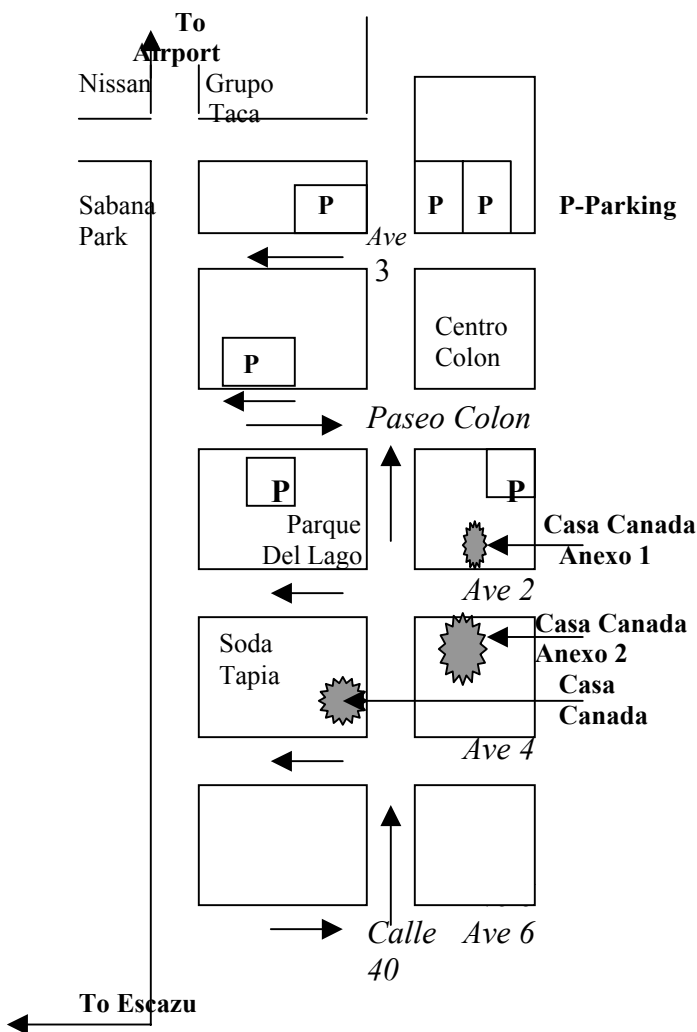
RESOURCES

Association of Residents of Costa Rica	60
Accounting	60
Company Formation and Management	61
Insurance	61
Investments – Mortgages	61
Investments – Mutual Funds	61
Lawyers	62
Money Transfer	63
Productions, Commercials	63
Property Management	63
Real Estate	63
Software	64
Travel	64
Embassies	65
Business Assistance	66
AMCHAM	
CINDE	
PROCOMER	

CASA CANADA

Casa Canadá is located in the Western area of San José called La Sabana. It is very near to the San José exits of the freeway from the airport, and the freeway from the Santa Ana area, which will eventually be the main road to the West Coast and the Port of Caldera. The Association of Residents of Costa Rica, the travel division, the legal department, the insurance division, the property management division and the real estate division are all located in the original Casa Canada on the corner of 4th Ave and 40th Street. The mortgage division, company and investment management division, vacation rentals and accounting department are all located in Casa Canada Anexo 1 on 2nd Ave between 38th Street and 40th Street, about a block and a half from the original building.

MAP - P - Parking lots



The concept for Casa Canadá started in 1992, as a central point where businessmen, investors and new residents to Costa Rica could come and be assured of fair and honest treatment from tenants in the building who would offer comprehensive services to clients.

That idea has exceeded its original expectations. Today Casa Canadá is close to “one stop shopping” for services. In Casa Canadá you can buy insurance, travel, mutual funds, a company or real estate. There are people to help if you need a mortgage, want to invest money, are interested in Costa Rican residency, legal advice, accounting or administrative services, want to buy, sell or rent real estate, need to have someone look after real estate you currently own, want a driver’s license or to file a medical claim.

The central phone number of Casa Canadá is (506) 257-6646, and of Casa Canadá Anexo 1 is (506) 222-1722. English is spoken in all locations. It has become a central help centre for people needing a variety of services, or even if there is a language problem in getting something across to a Spanish speaker. We invite you to take advantage of this amazing resource if you are moving or travelling to Costa Rica, or if you are doing business or living here now.

INTRODUCTION

THE CASA CANADA GROUP operates primarily in Costa Rica. Costa Rica was chosen due to its many investment opportunities, an expanding economy, a pro-business government and sustained growth. There is a large, well established banking, accounting and legal infrastructure in the country.

SECRECY

Costa Rica's secrecy laws provide for banking secrecy and for confidentiality in dealings between a client and a lawyer.

EXCHANGE CONTROL

There are no exchange controls in Costa Rica

LAWS

Based on Spanish Civil Law

TAXES

- There are no income taxes on income earned outside of Costa Rica at the time of writing.
- There are no capital gains taxes.
- There are no inheritance taxes
- There is no tax on interest income from Costa Rican banks or government bonds.
- There are corporate income taxes on a sliding scale from 12% to 36% currently.

TAX TREATY

- There is an exchange of information treaty with the USA.
- A tax treaty is being negotiated with Canada.

DEMOCRATIC

- Independent since 1821
- Current constitution was passed in 1948
- Republican form of government, with a President
- No military
- Elections are for a 4-year term.
- Constitutional court can overrule legislature that contravenes the constitution.
- Rights of property ownership are in the constitution
- Non-residents can have companies, own land, and operate businesses in Costa Rica.
- Non-residents are protected by the constitution

REGISTRY

Land and company registries are similar to those found in North America, and are computerized. Our group has direct computer access to the Central Registry for instant property, vehicle and company searches.

COMMUNICATIONS

- Reliable international direct dial telephone and fax
- Cellular telephone service is widely available.
- Internet services, including high speed Internet
- Most major courier services are available
- Banks transfer funds in and out by wire without restriction.
- Frequent direct airline connections to North America, South America and Europe.

BANKING

- Four state owned banks in which the government guarantees deposits without limit
- Many private banks including ScotiaBank & Citibank.
- Banks and the stock market are closely supervised by the Central Bank of Costa Rica and other government agencies.

While there are a large number of banks and investment firms anxious to deal with large investors, few firms offer the smaller investor full personal private financial management services. The investor with between thirty thousand and three million dollars is our target market. Our group of companies is geared to offer all the advantages of personal, private, professional management to these investors.

The Casa Canada Group are an administrative group, and do not accept client funds for investment at our discretion. Investments are made in the name of the client's company, following the instruction of the client - we make financial and investment administration confidential and easy. Consultation and advice are always available at no charge.

Some of the advantages of the management program are as follows.

- Ability to manage ones financial affairs by "remote control" from anywhere in the world by email, fax or phone. Assets can be bought and sold, funds transferred, bills paid and banking transacted very simply.
- Financial assets held in companies in administration with nominee shareholders and directors are protected from litigation against the owner.
- No death duties or costs such as probate fees, legal fees, or taxes on deemed disposition of assets. No inheritance taxes. We transfer title to assets as a client service without charge following the exact written estate instructions on file.
- Personal and corporate privacy.
- Simple, cost free transfer of assets to heirs.

CASA CANADA GROUP COMPANIES

ARCR ADMINISTRACIÓN S.A

Administrator of The Association of Residents of Costa Rica

COSTA RICAN RESIDENCY

In addition to investment, company and asset management, the Casa Canada Group manages the business affairs of the Association of Residents of Costa Rica. This organization assists people who wish to move to Costa Rica, provides residency services, and has a long list of programs available to assist members once they are resident.

The Association of Residents of Costa Rica (ARCR) is administered by ARCR Administración S.A., and has offices in Casa Canada, plus a branch office in Liberia, Guanacaste.

Association of Residents of Costa Rica
P.O. Box 1191-1007
Centro Colon
San Jose, Costa Rica

Telephone: 506-233-8068
Fax: 506-255-0061
Email: arcr@casacanada.net
Web Site: www.casacanada.net/arcr

THINKING OF MOVING TO COSTA RICA?

We recommend that anyone considering moving to Costa Rica, or any country for that matter, first visit as a tourist. The longer you can stay the better. It is important that in addition to knowing the logistics of establishing residency and making the move, you get a little taste of what life will be like.

Depending on your country of origin, you can remain in Costa Rica with a tourist visa for up to three months. With a driver's license from your home country and your valid passport, you can legally drive. During this time, try to get a feel for what day-to-day life will be like -- learn first-hand that a different culture means different responses to given situations. Explore the country, and try to experience the different microclimates to help make your choice of where to live so that you will be satisfied and comfortable.

Costa Rica is a Spanish speaking country. Outside the tourist areas there is not much English spoken, but the Costa Ricans are a warm and friendly people and are willing to try to help. There are many schools offering Spanish immersion courses, and private lessons are relatively easy to arrange. Of course, practice is the key.

What is it like to live in Costa Rica? Only your own experience can answer that, since it is different for every person, but some basic information may help you in your investigation. Foreign residents and tourists can own a house and property in Costa Rica, and there are houses, condos and apartments available for rent in most areas of the country. Rental prices vary from US\$300 upwards, depending on your choice of location and type of house. Location also dictates the house price, whether buying or building. The closer to San Jose (i.e. Escazu, Santa Ana, San Pedro) the higher the price. At the present time, if you own a house and car and have no debts, a couple can live comfortably on US\$1,500-2,500 per month depending on your lifestyle. Personal services (i.e. Maid, gardener, beauty parlour, etc.) are very reasonable.

Automobiles are relatively expensive in Costa Rica. While visiting, check around for prices on the type of car you would prefer. Some people ship their own cars from home, so check with ARCR Administración on the cost of the import tax and shipping charges on both your car and your personal household goods. There are a few horror stories, but also many good ones from people using well-established moving/customs services. With this information you are in a better position to make a sound decision. Auto parts are expensive, but labour is reasonable. Many roads are poor, with an ample supply of potholes, but the government has made great strides in improving this situation in recent years.

Property taxes are generally lower in Costa Rica than in North America and many other countries. As a foreign resident under current tax laws you will not pay income taxes on foreign pensions or income generated outside of Costa Rica, but you may have to pay taxes on income generated in Costa Rica. Businesses income, after expenses, is taxed, and there is a 13% general sales tax on goods and services including restaurants and hotels.

For those considering retirement in Costa Rica, it may be unwise to expect to earn a living, or to supplement your income. Pensionados and rentistas are allowed to own and operate a business but are not permitted to work for wages for someone else.

Costa Rica has both private and public health care systems, and there is reasonable insurance available for both. ARCR has obtained group insurance discounts for its members. The private clinics, doctors, specialists and laboratories are all quickly accessible and modestly priced compared to North America. Overall, health care is good in Costa Rica. There are also reasonably priced dentists and periodontists available, who provide quality service.

Whether purchasing a house, car, or other investment, it is advisable to exercise even more caution than you would normally, especially if you don't understand Spanish. Get recommendations for good lawyers and other professionals from the ARCR or other residents, and be sure to understand all of the terms and conditions before making a deposit or committing yourself. Like many places in the world, it is a 'Buyer Beware' society.

There is theft here, as in all parts of the world, especially in and close to large cities. Exercise common sense when parking your car, lock it and don't leave valuables inside. When walking the downtown streets don't wear expensive flashy jewellery.

Costa Rica is a beautiful and peaceful country. The army was abolished in 1948, and the people, in general, are kind and warm-hearted. The weather is warm; the sun shines almost 365 days a year and the pace of life is more relaxed than in North America. Members and staff of the ARCR and other 'expats' are all happy to assist you. In the end, your ability to adapt and approach life with a relaxed attitude will govern your degree of happiness and satisfaction with the Costa Rican lifestyle.

ABOUT THE ARCR

The Association of Residents of Costa Rica (ARCR) is a non-profit association serving foreign residents in Costa Rica and people abroad who want to become residents of Costa Rica. ARCR Administración S.A. operates the business side of the ARCR.

The ARCR serves members both prior to arrival in Costa Rica and throughout the years of residency here. Main areas of activity are reflected in the bylaws:

- To advocate for members before the government in legal and human rights matters.
- To inform members about government laws, regulations, and policies.
- To inform interested persons about procedures for becoming legal residents, and to assist and advise them during the process.
- To organize social activities for members.
- To promote member volunteer participation in Costa Rica society and culture.

WHAT DOES THE ARCR OFFER?

Moving to a new country with a different culture is exciting, and the ARCR can help with the legal, moving, language and cultural problems. As an ARCR member, you can take advantage of a large range of bilingual services and benefits. Here are a few.

- Provides answers to questions before a member moves.
- Legal resident applications, file updates and identity card renewals.
- Services in areas such as investments, real estate (including appraisals) and banking.
- Assistance with shipping and customs.
- Referrals for legal, tax and accounting assistance.
- Assistance in dealing with various government departments in Costa Rica.
- Two different group medical insurance plans.
- All types of insurance available in the ARCR San Jose offices, including discounts for medical and homeowners policies. Claims can be filed in the ARCR office.
- Importation papers for pets into and out of Costa Rica.
- Inexpensive international mail courier service to the US postal system in Miami, Florida.
- Vehicle & property title searches, company searches, and credit checks.
- Photocopy, translation, fax, mail delivery and Internet services.
- English language book exchange and library.
- Discounts on a wide variety of goods and services at hundreds of merchants.
- Work permits for foreign domestic staff.
- Subscription to "EL RESIDENTE" magazine.
- Social and cultural activities throughout the year.
- Participation in the ARCR charities programs to help less fortunate people in Costa Rica.
- Access to Costa Rica Asistencia (Road service program in Costa Rica)

MEMBERSHIP DUES

“Provisional Membership” is for those not yet resident in Costa Rica. Dues are US\$100 per year. Legal Residents pay dues of US\$50 per year, and the spouse or dependant of a member may become an Associate Member (with all privileges) for \$10 per year.

Come and visit us in Casa Canada, at the corner of 4th Avenue (Avenida) and 40th Street (Calle). Tell the taxi we are 200 meters South of Iberia, Paseo Colon.

SEMINARS

The ARCR holds two-day seminars every month except December. Speakers pass on a wide range of information on many topics. The seminars cost \$15 for members and \$40 for non-members, which includes a full lunch both days. The seminars are intended as an educational service to assist people in establishing themselves in Costa Rica. Contact ARCR for a reservation to attend.

Some topics of the seminars are as follows.

- Costa Rican law
- Real Estate rentals and purchase
- Medical care and hospitals in Costa Rica
- Banking and financial institutions
- Employee rights, regulations pertaining to domestic employees
- Investing in Costa Rica
- Insurance in Costa Rica
- Education and school systems

TRAVEL ASSISTANCE

If you are planning to travel to Costa Rica, the Casa Canada Group can make all arrangements for you through its travel operations. This would include hotel reservations in your price range, tours and excursions within the country and car rentals or cars with driver where required. Domestic plane or bus transportation can be arranged. If you don't know the country the travel staff would be pleased to give you a list of options, and to make some recommendations of some of the many things there are to see and do.

The Travel Store has moved its offices into Casa Canada, and under agreement with Ventas de Viajes S.A. and ARCR Administración S.A. assists clients with a wide range of travel services. These include flights originating in Costa Rica, or flights originating outside the country to Costa Rica.

Cruises, tours, excursions in and out of Costa Rica, adventure travel, travel insurance and other travel related items are also handled professionally by this associated company.

RESIDENCY TYPES

The common types of residency are shown here. For specialized cases, such as student, work visas, temporary visas, diplomatic or political status, refugees or others consult the ARCR.

Retired Residents <i>PENSIONADO</i>	Earning Residents <i>RENTISTA</i>	Investor Resident <i>INVERSIONISTA</i>	Company Visa <i>REPRESENTANTE</i>	Permanent Residency
Requires proof of US\$600 per month income (equivalent) from permanent pension source or retirement fund. (Combined pensions from one individual qualifies)	Proof of US\$1000 monthly income for at least 5 years, guaranteed by a banking institution. (A sample letter with the required wording is available at the ARCR offices) OR a \$60,000 deposit in an approved Costa Rican bank.	Investment of US\$50,000 in approved sectors such as tourism or export, \$100,000 in reforestation, or \$200,000 in any other business.	Applicant must be director of a company meeting certain requirements, such as employing a minimum number of local workers as established by the labour law, with financial statements certified by a Public Accountant.	First degree relative status with a Costa Rican Citizen (or marriage, or child that is Costa Rican) OR Citizen of Spain OR after 2 years in any other residency status.
Must remain in the country for at least 4 months per year.	Must remain in the country for at least 4 months per year.	Must remain in the country for at least 6 months per year.	Must remain in the country for at least 6 months per year.	Must visit Costa Rica at least once per year.
Dependants*	Dependants*	No Dependants	No Dependants	No Dependants
Cannot work as an employee.	Cannot work as an employee.	Income allowed from the project.	Can earn a salary in the company.	Can work.
Can own a company and receive income.	Can own a company and receive income.	Can own a company and receive income.	Can own a company and receive income.	Can own a company and receive income.
Must exchange income within the National Banking system.	Must exchange income within the National Banking system.	No exchange requirement.	No exchange requirement.	No exchange requirement.
Renewable every 2 years.	Renewable every 2 years.	Annual renewal.	Annual renewal.	Annual renewal.
US\$100 <i>Entero</i>	US\$100 <i>Entero</i>	US\$300 guarantee	US\$300 guarantee	US\$300 guarantee

* *Pensionados* and *Rentistas* can claim their spouses and children under 18 as dependants (or a child between 18 and 25 enrolled in University). No further income is required.

- *Entero* is the fee charged by the government for identity cards each time residency is granted / renewed (each person)

COSTA RICAN RESIDENCY

Once you are a member the ARCR can help you apply for residency status. Prices are in US\$.

Pensionado, Rentista, or

Permanent Residency applicants \$ 735 for the primary applicant.

Inversionista or Representante applicants \$1,000 for the primary applicant.

Pen/Ren Dependant's documents \$365 for a spouse, \$155 per child.

Prices include legal fees, translation of [English] documents, and all government stamps required, with the exception of consular stamps and certifications, and enteros or guarantee deposits. ARCR Administración S.A. provides detailed instructions on how to handle all documents in your country of origin and in Costa Rica.

The Costa Rican Consulate in your area must authenticate certain documents originating outside of Costa Rica. Before a member does that, ARCR encourages faxing the documents to our office to ensure the documents are correctly and fully completed. The Consul charges \$40 per authentication.

ADMINISTRACIÓN CORPORATIVA CANADIENSE COSTARRICENSE S.A.

This company is dedicated to the provision of offices, officers and administration of client companies, ensuring that all legal and administrative requirements of the company are met.

A. BANKING

1. Opening and operating international or Costa Rican bank accounts
3. Monthly reconciliation of client bank statements
4. Making deposits, writing cheques, making wire transfers
5. Automatic payment of client invoices or bills

B. CREDIT AND DEBIT CARDS

1. Issue international MasterCard, Visa or American Express credit cards.
2. Automatic payment of monthly statements
3. Visa debit cards are issued as a client service. No set up fee or annual fee.

C. CORPORATE SERVICES

1. Incorporation of Costa Rican companies. This service includes:
 - a) Consultation
 - b) Company cédula or identification card
 - c) Name searches
 - d) Provision and issue of shares
 - e) Provision of Costa Rican legal minute book
 - f) Provision of Costa Rican legal accounting book
 - g) Provision of Costa Rican shareholder register book
 - h) All legal fees
 - i) All registration fees
 - j) Payment of minimum capital.
2. Arranging the incorporation and maintenance of offshore companies in other jurisdictions.
3. Maintenance of Costa Rican companies. This service includes:
 - a) Provision of a registered office
 - b) Provision of mail, email and fax addresses
 - c) Provision of a fiscal (controller), which is required for a Costa Rican company.
 - d) Forwarding of any legal notices served on the company
 - e) Annual filing of corporate capital tax and reports.
 - f) Annual payment of educational stamp tax.
 - g) Annual filing of income tax return and reports.
 - h) Paying quarterly payments of Income Tax as required.
 - i) Maintaining legal books for minutes and shareholder registers.
 - j) Updating legal accounting books quarterly as required by Costa Rican law.

4. Full accounting services including the preparation of financial statements.
5. Supervision of client owned companies operating in Costa Rica.
6. Provision of nominee shareholders and directors for Costa Rican or offshore companies to allow for total privacy of ownership.
7. Preparation and filing of annual income tax reports, and payment of taxes due. Where required, quarterly tax submissions would be filed. Clients would be advised on tax planning.

D. FINANCIAL AND INVESTMENT MANAGEMENT

1. Establishing stock and bond market accounts with the company of the client's choice anywhere in the world
2. Establishing commodity or currency trading accounts with the company of the client's choice anywhere in the world.
3. Arranging mutual fund investments through a Canadian licensed and regulated company in Costa Rica, or with the company of the client's choice anywhere in the world
4. Receiving and depositing bond interest, stock dividends or other investment income.

E. INCORPORATION OF A COSTA RICAN COMPANY

1. Name - The name can be in either English or Spanish. Country names cannot be part of the name of a company.
2. Cost – The cost of a corporation is nine hundred fifty (\$US 950.00) US dollars for the first company, and seven hundred fifty (\$US 750.00) for additional companies for the same client. Fees include:
 - Consulting
 - Legal fees
 - Registration costs
 - Cédula Jurídica – Legal identification card
 - Costa Rican legal minute books
 - Costa Rican legal accounting books
 - Costa Rican shareholder register books

3. Administration Charges, paid annually in advance
 - Administration - \$US 300 – includes registered office, updating accounting books, annual filing (but not preparation of taxes or financial statements), dealing with legal notifications and other administrative functions as required.
 - Where income taxes must be paid (usually 12% of the net profit) the charge is an additional \$100. This includes making quarterly payments the following year for estimated taxes as required, annual tax filing with Costa Rican style financial statements and English style financial statements for the client.
 - Nominee Shareholders and Directors - \$400 – Where complete confidentiality is required we would provide those shareholders and officers required for the company. Two shareholders, a President, Treasurer, Secretary and Fiscal are needed for a Costa Rican company.
4. Incorporation Time
 - We have companies that we have incorporated available for immediate use. These companies are new, and have never been active in any way. They have very broad objects of incorporation and can do almost anything.
 - A specialized company will take from 30 to 45 days for registration and incorporation once the registry has approved the name.

5. Types of Corporation

There are two basic types of limited liability companies available under Costa Rican law as shown below.

1. Limitada

- May have a manager instead of a board of directors.
- Shares cannot be endorsed or transferred. They must be assigned. To be assigned they require approval of 75% or more of the other stockholders.
- If a person's name is used as part of the name of a company, that person is personally liable for corporate debts to the amount of the paid up capital of the largest single stockholder.

The Limitada form of incorporation is not recognised by the department of internal revenue in the U.S. as being a limited company. Income is treated as if the stockholders were a partnership. Costa Rica treats this form of corporation as a limited liability company.

2. Sociedad Anonima (Recommended in most cases)

- Requires at least three directors - president, secretary treasurer.
- Requires a comptroller, called a “fiscal”, to ensure the company abides by the laws of Costa Rica.
- There must be at least two shareholders at incorporation. After incorporation, one shareholder may wholly own the company.
- Total amount of capitalization must be paid in advance of incorporation. These funds become available to the corporation after the company is incorporated. Minimum capital is 1,000 colones.

3. The Casa Canada Group recommends the Sociedad Anonima form of incorporation as it has more liability protection for the owner, and is more flexible.

F. ADVANTAGES OF A COSTA RICAN CORPORATION

Stability - The country is very stable, and democratic. There is no chance of violent political swings or military coups, and investors in Costa Rica are protected by the constitution of the country, which is enforced by the Constitutional Court.

Secrecy - Costa Rica has laws to ensure banking secrecy and confidentiality between client and lawyer.

Surprises - The legal and legislative system in Costa Rica prevents a government from introducing a sudden new tax or law which may be punishing to the owner of a Costa Rican corporation, or which may make an investment not viable. Retroactive legislation was totally unconstitutional in Costa Rica, although recently the Constitutional Court has recently said that in the case of taxation non-retroactivity of the law is no longer a complete guarantee.

Selection - There is a large corporate infrastructure in Costa Rica, with hundreds of law, consulting and accounting firms to choose from - including many of the large international firms. Most major languages in the world are spoken in one firm or another, making it a comfortable jurisdiction for investors from around the world.

Telecommunications - Touch-tone dialling is available throughout the country for international calls or faxes. High speed and dial up Internet is readily available, and there is a developed cellular telephone system. Telex and telegram links are in place. The time zone for communications with North America is favourable.

Taxation - At the time of writing there are no taxes payable by a Costa Rican corporation for revenue earned outside of the country. There are no capital gains taxes, making Costa Rica an excellent country to hold real estate, either locally or outside of the country. Real estate has a reasonable rate of appreciation due to the country's lure as a retirement site, for the location of industrial plants, for agricultural production and for tourism. Due to its stability many companies and institutions choose it as a location for their Central American or Latin American head offices,

keeping the market for residential and commercial real estate brisk. Property taxes are very low compared to many countries, and corporate income taxes are relatively low as well.

There are definite advantages to a Costa Rican corporation for those who are interested in investing in Costa Rica, including avoiding withholding taxes on interest and dividends. See the section on Costa Rica tax law.

G. COMPANIES IN OFFSHORE JURISDICTIONS

Administración Corporativa Canadiense Costarricense S.A. can arrange for the incorporation and maintenance of a company in any of the offshore financial centres of the world on behalf of its clients. Most of the benefits listed below are available to the owners of Costa Rican companies at much lower formation and maintenance costs, so it is best to consult to see if an offshore company is really needed to accomplish the desired objectives.

Many people feel the formation of offshore companies is an exotic step, useful only to multi-millionaires. This is far from the truth. Many countries depend upon operating sound, well-supervised offshore centres for the livelihood of their citizens. As each person's circumstances are different, it is best to consult with professionals at Casa Canada, or with your offshore accountant or lawyer. Countries differ in regulations regarding the formation of trusts and how they handle offshore investments. The existence of tax treaties between countries can affect the usefulness of offshore companies as well.

Following are some of the common reasons for offshore investments, companies or trusts.

Asset Protection - To protect assets from:

- a) Creditors
- b) Judgements
- c) Liens
- d) Bankruptcy
- e) Malpractice Claims
- f) Divorce and Separation Declaration and Claims
- g) Liability Claims not Covered by Insurance
- h) Seizure by Government

Public Record - To prevent your private affairs from becoming available to the public. It can protect your involvement with brokers, security markets, bankers and other investment dealers from becoming public.

Company Ownership - To prevent investment in companies from becoming publicly known.

Management - Securities, cash, real estate or other investment assets in various locations in the world can be managed easily and confidentially by email, phone or fax by using a professional management company.

Business Income - To be able to earn tax-free income through business operations in offshore centres. There may be applicable taxes in the country of residence of the client on this income.

Intellectual Property - To earn tax-free income from licensing, patents, royalties and other rights through an offshore company. There may be applicable taxes in the client's country of residence.

Travel - Use offshore funds for travel anywhere in the world, and have access to your cash through cash machines and credit cards.

Estate Taxes - To avoid:

- a) Inheritance Taxes
- b) Estate Taxes
- c) Executor's Fees
- d) Probate Fees
- e) Taxes on deemed disposition of assets

Currency - To have investments in more than one currency to protect against devaluation.

Security - Assets owned by the offshore company will be protected by the courts in the jurisdiction in which the company is incorporated. This helps protect assets against expropriation, confiscation or seizure in other jurisdictions.

Consolidation - Various assets, such as stocks, bonds, real estate, precious metals and mutual funds can be consolidated into the ownership of one company or a group of companies for easy management, administration and control.

Sales/Re-Invoicing - Goods can be sold to an offshore company, and re-invoiced to the ultimate purchaser anywhere in the world, earning a tax-free mark up. Caution must be used for companies based in the USA and Canada, as there is legislation specifically designed to prevent this type of tax avoidance.

International Trade - Offshore companies can become involved in the trade of goods to and from countries outside of the country of residence of the trading organization, resulting in tax savings or tax deferrals in the home country.

Leasing - Capital equipment purchased by an offshore company can be leased, making the leases tax deductible and the profit non-taxable in the jurisdiction of the leasing company. There may be tax implications in the country of residence of the owner of the company.

Intellectual Property - Royalties, licensing agreements, trademarks, copyrights and other property of this type can be owned by the offshore company, and the income from them can be received tax free in some circumstances.

Consulting and Professional Services - International consulting, or employment in various fields such as airlines, sports, media, engineering, or other fields is possible by having the employment or

consulting contract with an offshore company, which in turn has an exclusive contract with the person being contracted. In some jurisdictions this can avoid taxation and pension fund problems.

PROPERTY MANAGEMENT S.A.

A. GENERAL

Property Management S.A. is a new company added to the group in January 2003. The Casa Canada Group has been involved in the management of residential and commercial real estate properties for clients for over ten years, however the volume of business now justifies the formation of a company to specialize in this field.

B. COMPANY OBJECTIVES

Property Management S.A. will manage any type of real estate property which a client, resident of Costa Rica or not, owns. Some types of real estate that we manage are as follows.

1. Residential houses, holiday cabins or homes.
2. Commercial office buildings.
3. Shopping centres or commercial shops.
4. Sub-divisions
5. Raw land held for future sale or development.

A client can invest in real estate in Costa Rica with confidence that the property will be looked after in their absence. This avoids theft or the loss of the right to use the property to squatters.

Investors in our mortgage division will also be able to take advantage of their right to purchase foreclosed properties on which they held mortgages at the below market value. The property can then be managed as an income holding property against future sale.

At any time a client may instruct Property Management S.A. to sell a property in management. In this case, a qualified buyer will be located, a sale negotiated to the satisfaction of the client, and the transfer of the property and payment of funds overseen on the client's behalf.

C. MANAGEMENT SERVICES

1. Property Management S.A. can assist in acquiring the right property. It can:
 - Locate the property and check the title to it.
 - Negotiate the purchase.
 - Provide trust facilities for a deposit on the property.
 - Arrange the agreement for sale.
 - Arrange and oversee the legal steps to purchase and register the property.
 - Arrange title insurance should it be desired.
 - Arrange insurance on the property.
2. Locate tenants by advertising, through the Association of Residents of Costa Rica, Spanish and English newspapers, our web site and through other contacts of the Casa Canada Group.
 - a. References will be requested and checked.
 - b. A credit check on the prospective tenant will be done through the principal credit bureaus in Costa Rica, to which our computers are connected.
 - c. Terms and conditions of a rental agreement will be negotiated with the prospective tenant, including rent, length of rental, rent increases and deposits.
 - d. All details of the proposed rental agreement will be forwarded to the client for approval.
 - e. Once the rental agreement has been approved, the first and last month's rent will be collected, plus a damage deposit.
 - f. Once the client accepts the rental agreement in writing, Property Management S.A. will execute it on behalf of the client and forward a copy of the executed document.
3. Rents will be collected as negotiated with the tenant and approved by our client.
4. Where the property is raw land or unoccupied buildings guards can be arranged to care for the property on conditions approved by the client.
5. Property Management S.A. will ensure that employees on the property are paid on time, and that all legal costs such as CCSS and aguinaldo are paid in a timely manner. Records will be kept for employee vacations, aguinaldo, cesantia and preavisa as required under Costa Rican law.
6. Property Management S.A. will insure that bills are paid on time after being checked for accuracy. These could include, but are not limited to, electricity, telephone, water, cablevision and municipal charges for garbage collection or other municipal services. Municipal and territorial taxes, insurance premiums and other necessary payments would be paid on time.

7. Property Management S.A. will check, the property on a schedule approved by the client, ensuring that repairs and maintenance that are the tenant's responsibility are carried out in a satisfactory manner. It will also ensure that the building and grounds are being well maintained.
8. Repairs and maintenance that are the client's responsibility will be carried out to the financial limit approved by the client. For amounts above this level quotations will be requested for the work needed, and forwarded to the client for approval.
9. Once approved by the client, a professional firm hired by Property Management S.A will carry out repairs and maintenance that are the client's responsibility. Property Management S.A. will ensure the work is completed in a satisfactory manner, and see to it that the contractor is paid for services as agreed.
10. Should a tenant not pay rent and care for the property as agreed, Property Management S.A. will see to their eviction and will find a new tenant.
11. Such legal remedies as the client wished to take against an evicted tenant will be overseen on behalf of the client.

ADMINISTRACIÓN HIPOTECAS CANADIENSE COSTARRICENSE S.A.

PROFESSIONAL ADMINISTRATION OF MORTGAGES

The mortgage program offers a high rate of return and good security.

Mortgages are in US dollars at 18% interest, yielding our client 16% after a 2% charge for administration. AHCC finds qualified borrowers, take applications, runs credit and legal checks on the borrower and property, studies certified financial statements to prove income and ability to pay, and then if all is well has the property appraised by a professional appraiser.

When everything checks out, AHCC will lend up to a maximum of 50% of our appraiser's valuation of the buildings and property. A maximum of 30% of the value of raw land will be loaned. Raw land includes farms, subdivisions, lots, or any other property where land makes up the vast majority of the value. Our client is never secured by less than 200% of the amount of the investment. The mortgage is registered in the Central Registry of Costa Rica against the specific property in the name of the client's company.

AHCC ensures payments are made on time, and followed up if they are not. Payments from borrowers are deposited or invested as instructed by the client. Mortgages have a term of one year, so an investor can withdraw the money in one year provided we receive notice two months before the renewal date of the mortgage. AHCC requires that investor funds be in our hands before a mortgage is approved to ensure that the mortgage will be funded as soon as all conditions are met. Funds are invested in Costa Rican government securities through banks in the national banking system, and are guaranteed without limit by the government of Costa Rica. Interest has averaged 5% per year for some time, although this amount can fluctuate dependent upon interest rates. Interest received on bank accounts is not taxable in Costa Rica.

If an investor has an emergency and requires funds that are in a mortgage, it is possible to borrow against the mortgage at 18% interest (a net cost of 2% - the administration fee), or a mortgage in good standing can be sold early for a 2% transfer fee.

PROCEDURE IN GRANTING A MORTGAGE

1. In most cases, loans will be approved or rejected within one week, subject to confirmation of security and a credit check on the applicant. Required from the applicant for the initial review of the loan:
 - a) Fully completed loan application form.
 - b) Plano Catastro of the property.(Legal survey plan)
 - c) Escritura for the property. (Legal title)
 - d) Photocopy of both sides of a cédula or the photo page of the passport of the applicant
 - e) Financial statements, or proof of income and ability to make payments.
 - f) Intention of the loan - what is the money to be used for
 - g) \$US 25 for credit studies and inspection of the property.

After tentative approval the following will be required.

- h) Payment of the appraisal fee.
 - i) Signed acceptance of the offer of credit.
2. AHCC will usually complete appraisal of security, the legal study and a credit review within the week following acceptance of the tentative offer of credit. Before funds are disbursed, the applicant is required to provide:
 - a) A copy of a receipt for payment of territorial and municipal taxes
 - b) Proof of insurance that allows for inflation, to the replacement cost of the construction on the property. Insurance can be arranged in our office.
 - c) Proof of insurance on the life of the borrower, with the lender as beneficiary, may be required.
3. The following costs can be paid from the mortgage amount.
 - a) Legal fees
 - b) Set up fee
 - c) Finders fee should the mortgage come through a broker.
4. Loans may not be more than fifty percent of the appraisal on developed property, and not more than 30% of the appraised value of raw land including sub divisions.
5. Loans require a monthly payment of not less than the amount of the interest. Operating lines of credit and other business lines of credit can have customized repayment schedules. Mortgages have an amortization period of up to 10 years and interest is generally 18% per year.
6. Loans must be renewed annually. Loans with a good payment record will be renewed upon receipt of proof of payment of municipal and territorial taxes, proof of valid property insurance payable to the lender(s) and proof of payment of life insurance when necessary. The loan must be current.

7. Loans and repayments are in U.S. dollars, or the equivalent in colones at the time of the loan or payment.
8. Should evidence of insurance renewal not be provided, the loan shall become due and payable on the expiry date of the insurance, or renewed at the expense of the borrower at the option of AHCC. Insurance is to be payable first to the lender(s) to the full amount of the loan and all charges thereto.
9. Only mortgages in first position will be granted, unless the first mortgage is controlled by AHCC or one of its associated companies.
10. Advances on construction loans shall be paid directly to the contractor, sub-contractor, or other supplier of services in most cases - not to the mortgagee. Payments will be made only when approved by a builder or engineer employed by AHCC at the borrower's expense.
11. Mortgage loans cannot be made on leased land without the lessor signing the mortgage. This is not possible on land leased from the Government of Costa Rica. For financing on land leased from the government it is necessary that the land be registered in a corporation in which the lenders hold all the shares for security.
12. Where a mortgaged property includes an operating bar or licensed restaurant, the liquor license shall be signed over to AHCC on the proviso that it will be signed back to the borrower once the loan is repaid. A chattel mortgage will also be required on the furniture and fixtures of the bar/restaurant.
13. Loans that reach two months past due generally shall have action commenced to foreclose the property. Any loan reaching three months past due must be foreclosed unless written authorization from the lender(s) is received to allow the loan to go further into arrears. All costs incurred in the process of foreclosure shall be to the account of the borrower. A loan that is felt to be at risk may be foreclosed earlier at the option of AHCC.

VENTAS DE VIAJES S.A., ARCR TRAVEL THE TRAVEL STORE

All travel for the Casa Canada Group is done through The Travel Store, Ltda . The travel office is located in the Casa Canada building, on the corner of Av. 4 and Calle 40.

If you are planning to travel to Costa Rica, the Casa Canada Group can take care of all your travel arrangements, including international plane tickets, airport transfers, a hotel in the area and price range you prefer, tours and excursions, domestic transportation including flights, car rentals or car with driver as required. If you don't know the country the travel staff would be pleased to give you a list of options, and to make recommendations of some of the many things that there are to see and do in Costa Rica.

The travel store also handles external travel including cruises, flights, excursions and tours.

CANADIAN COMMERCIAL CORPORATION S.A.

REAL ESTATE SALES AND RENTALS

Finding the right rental home or apartment can be difficult. Recognizing the need for assistance in this area, the Canadian Commercial Corporation created a database of available properties for sale or rent. They can be contacted through the office of the Association of Residents of Costa Rica located in Casa Canada.

The Canadian Commercial Corporation S.A. works with a network of proven professional real estate companies, agents and brokers in addition to it's own sales staff. Once a client's requirements are known, properties meeting the client's criteria will be located and shown to the client.

The ownership of real estate in Costa Rica is guaranteed by the constitution for both citizens and foreigners. Realtors do not need to be licensed, and trust accounts for deposits do not exist as known in North America. If you plan to purchase real estate be certain you have a reputable realtor and lawyer. The Association of Residents of Costa Rica can assist with recommendations for both. The financial arm of the Casa Canada Group will safely hold deposits for real estate in trust for the purchaser. Title insurance can be arranged through ARCR Administration S.A. with Stewart Title, and computer studies of land titles can be done in the ARCR office.

APPENDIX 'A'

COSTA RICAN LAWS, RULES AND REGULATIONS

1. Fifty Meter Zone

The first 50 meters from high tide at the beach is public property. No permanent structure may be placed on this land, however it can be landscaped and temporary structures can be erected, for example in front of a hotel. There are no private beaches in Costa Rica - the 50-meter area is open for anyone to use and there are no possession rights in this zone.

2. Municipal lease land - 150-meter zone

In the majority of the country, the next 150 meters from the 50-meter zone is regulated by the municipality, and can only be leased, never owned. For a foreigner to lease this land, a Costa Rican must show as owner of more than 50% of the company doing the leasing. A foreigner cannot lease this land personally. A good lawyer can set up a company that will serve the investor's purpose, and meet the law. There may be restrictions or zoning on the leased land - this will be published in the Plan Regulador of each municipality. Ensure you have a good lawyer check this before buying the rights to leased land. Leases are usually inexpensive, and the renewal is usually automatic provided the lessor keeps the lease in good standing. Lease rights can be bought and sold. The law of the Maritime-Terrestrial Zone covering the 200 meters above the high tide line was published in 1977.

If the municipal or federal government want this land back, then need pay the lessee only the value of the improvements on the land - they do not have to pay anything for the increase in the value of the right to lease. The value of the improvements is established by a third party designated by the court.

3. Frontiers

Only Costa Rican citizens can purchase land within two kilometres of the national frontiers.

4. Title

Most land in Costa Rica is titled. Good lawyers will quickly check to ensure it has good title, or for a minimal fee it can be checked in the ARCR office where computers are connected to the land registry. Land that has not changed hands for many years may not be titled. If the title to the property is not registered, registration is difficult, complicated and expensive. The buyer may spend years in the court system sorting out other claims to the land.

If a piece of land is titled and registered for the first time (this includes a previous undivided interest registered as a separate parcel for the first time) claims may be made against the title for ten years. It is therefore dangerous to purchase or to accept as security land that has been registered for less than ten years.

The Central Registry for land in Costa Rica is computerized and similar to most places in North America. Top law firms and the Casa Canada Group have computers connected directly to the Central Registry and can search the title of land quickly from their offices. Registry of mortgages and liens are much the same as in North America. A buyer should insist on an Escritura showing title to the property, complete with registry stamps on it. Unscrupulous lawyers have been known to keep registration fees and not register the property transfer, leaving the vendor in a position to sell the land again.

Title insurance to guarantee the title of properties can be arranged with Stewart title at a special price through the Association of Residents of Costa Rica.

5. Deposits

Deposits are not common in Costa Rica. When a deposit is given to a lawyer or realtor, the money usually goes into his or her personal account, as trust accounts as known in North America do not exist. If the completion of the property purchase is to be on an agreed date in the future, an option can be taken which gives the vendor a sum of money for which he guarantees a right to purchase for a certain period of time. The Casa Canada Group's financial department in Casa Canada Anexo 1 will hold funds in trust for a real estate, business or other purchase.

6. Options and contracts to sell properties are legal, but cannot be registered at the Registry of Properties as a real right affecting a property. It is possible that even if you have an option, a disreputable person could sell the land to someone else, leaving only the courts as recourse to recover the deposit. A legal guarantee called a Reserva de Prioridad can be registered against the property giving exclusive rights for a maximum of 30 days.

7. Property transfer

There is a tax of 1.5% of registered value for the transfer of property. Total government tax, registration and stamp fees will run about 2.5% of the registered value of the property. When a property is purchased, unless specified otherwise, it is assumed the buyer and seller will split the cost of legal and transfer fees. If the purchase is cash, the purchaser has the right to choose the lawyer. If the vendor holds a mortgage on the property the vendor has the right to choose the lawyer. Legal fees and costs will be around 2% of the property-selling price bringing the total transfer cost to approximately 5.5% of the price.

8. Property tax

The municipality collects municipal government property tax. It is 0.25% of the registered value of the property. Houses with a registered value of less than ₡6,147,000 are exempt. There is also a local community government charge. This is based on the frontage of the property and varies in each area, but is not to be over \$10 per month per residence.

9. Leases and Rental of Property

Great care must be taken when leasing to others in Costa Rica, as it may not be legal to increase rents or to remove tenants from the property. A rental agreement can be either verbal or written.

Regardless of the term specified in residential or commercial lease agreements, the terms and conditions apply for a minimum of three years provided the tenant keeps to the terms of the agreement. If a rental agreement is for more than three years, the longer term applies. If you wish to legally lease for less than three years, contact Casa Canada management for options that can make this possible.

If rent is in a currency other than colones, it will not be possible to raise rents without the prior agreement of the tenant. No rent increases are permitted over the first three years. If rent is in colones it is possible to contract for an increase of 15% per year for residential property only.

Where there is no rental agreement, the landlord cannot evict the tenant from the property for three years and the rent cannot be increased for this period unless the 15% increase for contracts in colones is included on residential property. The tenant is required to give three months notice to terminate the rental. A clause can be included in the contract that the deposit is forfeit if notice is not give. The tenant is obliged to leave the property in the same condition as when it was rented.

If the landlord wants the rental property back it is necessary to notify the tenant in writing three months or more before the end of the term, otherwise the term is automatically renewed for another three years, or for the length of the original agreement if longer than three years.

The law allows the tenant to be late up to seven days with rent payments. After that the landlord has the right to apply to the court for an eviction order. If rent payments are continually accepted late, the tenant may have the right to continue to pay late. Once it is decided to seek the eviction of a tenant, rent payments should not be accepted as it could make them current and cancel the right to evict them.

If a tenant does not pay bills that are then tenant's responsibility it is possible to evict them. If the landlord pays such bills the cost of them can be deducted from a damage deposit at the end of the rental period. The tenant can be sued for any additional amounts outstanding. The tenant is responsible for all public services and utilities except for taxes, which are the responsibility of the landlord.

Where a property is sold or transferred it does not change the tenant's rights. The new landlord must respect the existing contract.

Any improvements made to a property automatically become the property of the landlord.

A tenant cannot change the original agreed upon use of a property, other than to put a small business into a residence. The primary purpose of the property must remain residential. A shop cannot become a bar for example. Tenants cannot sub-rent or lease a property unless the right to do so is specified in the lease.

The landlord has the right to inspect the property once a month.

When negotiating a rental contract, a landlord can request any guarantee deposit felt necessary to protect their interest.

This law does not apply where the landlord resides in the same building as up to two rental units. In this case the tenant can be given thirty days notice to leave the premises.

10. Squatters

People who move onto a piece of property which they do not own, live there for a year and who improve the property by working the land and/or constructing a dwelling, may have a legal right to live there since they may have acquired a "right of possession". Once acquired, this right of possession can be sold to others. If a large piece of property is purchased it is essential that a watchman be hired to report any squatters to the police before they become settled. An employee hired to guard a property cannot become a squatter, but an employment agreement with the watchman is a good idea.

11. Mortgage Financing

Mortgage financing from banks is slow and bureaucratic in most cases. It can take up to a year to get a mortgage approved, particularly with the state banks. Expect continual delays and requests for additional information over months. Expect very high "commissions" or legal fees from banks. Fees and commissions can be as high as 10% of the amount of the loan, so while low interest rates may be advertised, check carefully into the total package of costs.

Private lenders can move more quickly, but the rates will be higher. Casa Canada has a mortgage division that approves mortgages of up to one million dollars quickly, but the rates at which investor funds are placed may be suitable only for bridge financing while awaiting bank approval.

Mortgage documents are registered in the central registry much as in most industrialized countries. Do not expect to receive mortgage funds until the mortgage document is registered. This is to prevent a common fraud where as soon as the cheque is cashed an accomplice quickly registers a new mortgage on the property ahead of the one just granted.

Mortgages can be for any term, interest rate, amortization period or payment amount agreed upon between the parties.

A different form of mortgage used in Costa Rica is the cédula hipotecaria. These consist of certificates registered against the property, and can be in any denomination desired. A \$100,000 mortgage could have 10-\$10,000 certificates, 1-\$100,000 certificate, 100- \$1,000 certificates or any other combination desired. The advantage is that it is not necessary to pay full legal expenses to increase or remortgage a property - the cédula hipotecaria remains in effect. When a mortgage is paid off the certificates are returned to the owner, who can leave them registered against the property until another mortgage loan is required. The number of certificates required for a new loan would then be given to the financial institution as their security. For advice on this type of mortgage contact the mortgage department of Casa Canada Group. There is no charge for advice.

EMPLOYEE & LABOUR LAW

1. Social Security

All salaried employees must be registered with Social Security. The employer must pay 25% of the total salary amount, and an additional 9%, which is deducted from the employee. This covers the employee for medical care, hospitalisation, other medical costs and 3% of this amount is a contribution to a savings and pension fund.

2. Vacations

The law requires one day of vacation for every month of employment. A two-week vacation is due after fifty weeks of work. The employer can choose the time the vacations are taken and can require that half be taken at two different times, but they must be granted within 15 weeks of the time when they were due. Vacations cannot include weekends or paid holidays, they must be regular working days.

3. Holidays

Paid holidays are:

January 1	Thursday & Friday at Easter
April 11	May 1
July 25	August 15
September 15	December 25

Other holidays for which pay is not required for hourly employees are August 2 and October 12. Salaried employees are paid for these days whether they work on them or not. Employees who work on statutory holidays or Sundays are paid double time. The standard working week is 48 hours.

4. Income tax - Personal

There is no tax on income of less than 367,000 colones per month.
 There is a deduction of 10% on income of 367,001 to 551,000 colones per month.
 There is a deduction of 15% on income of over 551,001 colones per month.

5. Insurance

Personal injury insurance (similar to workman's compensation) must be carried to cover all employees. This policy must be purchased from INS, the Costa Rica government owned insurance institute. (Private insurance is not permitted in Costa Rica.) It works out to 2-3% of wages depending on the type of work.

6. Termination

If an employee is dismissed without cause aguinaldo, vacation pay, notice and termination pay must be paid to them. If an employee is dismissed with cause or quits, aguinaldo and vacation pay must still be paid by the employer.

Preaviso (Advance Notice) The law requires 30 days advance notice to be given of impending termination. If no advance notice is given 30 days pay is due to the employee. If the required number of days of advance notice is given regular pay continues for 30 days, but the employee has the right of one paid day per week to look for another job. Exact calculation is according to the scale below.

Cesantia is severance pay. Maximum cesantia is 8 months.

	Months Worked	0-3	3-6	6-12	More than 1 year
Preaviso	(Days)	0	7	15	1 Month
Cesantia	(Days)	0	7	14	

Years Worked	Days Paid
1	19.50
2	20.00
3	20.50
4	21.00
5	21.24
6	21.50
7	22.00

When an employee quits or is fired with cause, preaviso and cesantia do not need to be paid.

When a company is sold, and the new owner keeps the staff, all benefits are paid to the new owner as if the staff had been laid off. The benefits are not paid to the employees at this time, as the new employer will have the responsibility of paying them in the future.

7. Minimum Wage

Effective July 1, 2004, monthly minimums (colones):

Unskilled workers	109,543
Semi-skilled workers	118,866
Skilled workers	127,700
Technicians	137,553
University Graduates	207,666
Employees with university degree	249,206

New minimum wage schedules are published by the government every 6 months, on January 1 and July 1. The full list is more comprehensive, including most occupational groupings.

8. Trial Period

There is an automatic trial period of three months, during which an employee can be released without the payment of notice and termination pay. After 3 months full separation settlement applies. The trial period for domestic help is one month.

9. Domestic Employees

There are some special provisions governing live in domestic employees. If an employer has a signed contract with a domestic employee offering less than the minimums proscribed by law, the contract is not valid.

A domestic employee's workday is 12 hours. Up to 16 hours is permitted, but double-time must be paid for the extra hours over 12 per day. One paid hour of rest, to coincide with a mealtime, is required. It is required that the employee be enrolled in the CCSS medical and pension system.

The employee has the right to half a day off per week and half a day off on official holidays. If they work pay must be at double time. 15 days of paid vacation each year is compulsory, and payment in lieu of vacation is not permitted. When the December aguinaldo payment is calculated the wage cost upon which aguinaldo is based must include the value of the food and lodging supplied as well as cash wages.

To dismiss a domestic employee, no notice is necessary if they worked for less than 30 days. Over 30 days requires 15 days notice. The cash equivalent of the notice period can be paid. For each week's notice half a day of paid time must be given to look for another job.

A female domestic employee who becomes pregnant is entitled to 1 month of paid leave before birth and 3 months afterwards. If an employee is dismissed because they are pregnant it is required that their wages be paid from the day of dismissal until the 8th month of pregnancy, then maternity benefits and damages for wrongful dismissal.

10. Benefits summary: Approximations on an annual basis.

Caja Costarricense de Seguro Social	22.00%
Fondos de Capitalización & Pensiones	3.00%
Aguinaldo (Xmas bonus Dec 1 to Nov 30)	8.33%
Vacation pay (See paragraph 2)	4.61%
Dias Feriados (Long weekends with pay)	1.92%
Preaviso y Cesantia (Termination pay)	5.33%
Workman's Compensation insurance	2.00%

Cost of Benefits	47.19%
	=====

In addition to the above, the employee must pay 9% of their salary for Seguro Social. The other items are paid entirely by the employer.

STATUTES OF LIMITATIONS

1. Cheques

It is a criminal offence if an NSF cheque is not paid within five days of the funds being demanded. It is also a criminal offence to stop payment on an issued cheque or to knowingly receive an NSF cheque. Post-dated cheques are also illegal, and if issued can be cashed at any time, without regard to the date on them.

Cheques are stale dated and the statute of limitations applies after 4 years.

2. Debts

Trade accounts or regular accounts receivable have a limitation of one year. If an account is approaching one year of age, it must be put into collection. Once the debtor is legally notified the debt is in collection the statute of limitations does not apply.

Debts arising from commercial written contracts with a specified time period have a statute of limitations of four years after the debt is due.

INCOME TAX

1. Personal income tax on salary

No tax to 367,000 colones per month.

367,001 to 551,000 per month is taxed at 10%.
Over 551,001 per month the tax is 15%.

Personal income tax forms are not filed for salaried or hourly employees. Tax is withheld from the employee and remitted by the company.

2. Self employed - Taxable income after all deductions

0 to 1,629,000	No tax
1,629,001 to 2,433,000	10% tax
2,433,001 to 4,058,000	15% tax
4,058,001 to 8,132,000	20% tax
8,132,001 and over	25% tax

3. Corporate income tax

In Costa Rica it is the amount of total revenues that determines the tax rate, not the amount of profit. The figures below are the total amount of revenues a company takes in. The tax amount is then applied to the net profit in the percentage shown.

ANNUAL REVENUE (colones)			
0	to	24,381,000	10% of net profit.
24,381,001	to	49,043,000	20% of net profit
49,043,001	and upward		30% of net profit

All year-ends are as of September 30. Tax reports must be filed and paid by December 15. In special cases permission may be obtained to change the date of the year-end of the company.

No tax is payable in Costa Rica on profits earned outside the country and then brought in. Only profits earned within Costa Rica are taxable. There is a law currently before the legislature to make profits earned outside the country taxable. There are no capital gains taxes in Costa Rica.

4. Loss carry forward

Industrial companies can use a loss in one year against profits over the next 3 years and agricultural companies can carry a loss forward for 5 years. After this time, if the loss has not been used it is lost. For all other companies, if there is a loss in one year it cannot be used later. Preoperational expenses can be used over 5 years.

5. Minimum capital

If the accumulated losses of a company exceed 50% of its paid up capital it can be placed into bankruptcy by a past due creditor by application to the court. Minimum capital for incorporation is ₡1,000 (\$2.38 at the time of writing). It is therefore suggested that where possible losses be carried forward as an asset in prepaid expenses until used in a future year.

6. Depreciation is permitted at the following rates:

Furniture & Fixtures	10%
Concrete buildings	2%
Wood Buildings	5.88%
Vehicles	10%
Goodwill - write off over 3 years	33 1/3%
Computers	20%
Computer software	100%

7. Corporate borrowing

a) Interest free loans

If an interest free loan is made to a company, either from inside or outside Costa Rica, 13.7% interest is deemed to have been paid to the lender who must then pay tax on this amount. A contract can be written between the lender and the company receiving the loan in which the lender renounces the interest. For a lender resident outside of Costa Rica, the company would be liable for 15% withholding tax on the deemed interest amount if the interest were not formally renounced.

b) Shareholder's loans

Previously shareholder's loans were assumed to bear 12% interest, however the law has been changed to allow shareholder's loans to a company with no presumed interest.

c) Mortgage or other loans

If the lender is a corporation or individual not resident in Costa Rica, or an individual not registered with the income tax department in Costa Rica, there will be a withholding tax of 15% of the amount of the interest. This tax does not have to be paid if the lender is a corporation in Costa Rica, so for an investor it is usually better to incorporate a company where the tax would likely be 12% on income after deductions instead of 15% before deductions. The borrower is responsible to ensure that the 15% withholding tax is paid to the government - if the lender does not pay the borrower must pay. In the case of large external loans the contract will generally require that the borrower pay the withholding tax.

8. Payment of Shareholders by a company

Directors fees of up to \$US 1,000 per meeting are deductible by the company, but a 12.5% withholding tax must be paid by the director attending the meeting. Only directors attending meetings may be paid fees. Meetings may be held as often as desired, however minutes of each meeting must be kept in Spanish.

9. Dividends

Dividends between Costa Rican corporations are not taxable. There is a withholding tax of 16.5% on dividends payable by a company in Costa Rica if the shareholder receiving the dividends is not a Costa Rican corporation.

10. Tax Year

In Costa Rica the personal and corporate tax year ends September 30. Other tax year-ends can be used for corporations, but only with special permission.

Forms must be filed and tax paid by December 15 for any tax year.

Tax forms do not have to be filed for inactive corporations or for corporations that did not commence activities prior to June 1 regardless of the date of incorporation. Corporations that commenced active business May 31 or before would be required to file on September 30 of their first year.

11. Education Stamp Tax

This tax is determined by the shareholders' equity. All amounts are shown in colones.

FROM	TO	TAX AMOUNT
0	250,000	750
250,001	1,000,000	3,000
1,000,001	2,000,000	6,000
2,000,001	Upward	9,000

INSURANCE

1. INS

Most insurance in Costa Rica must be bought from the state owned insurance company, Instituto Nacional de Seguros (INS). INS handles most types of insurance. By joining the ARCR (Association of Residents of Costa Rica) substantial discounts can be obtained on medical insurance.

2. Vehicle Insurance

When the license plates are purchased a small amount of compulsory personal liability third party insurance is provided. This is paid when the plates are purchased or renewed. It is too low to be considered effective - supplementary insurance is highly recommended. Collision, fire, theft, personal liability and property damage coverage can be purchased from INS. When receiving quotations on car insurance the normal term is six months. Once your car is insured anyone with a valid license is permitted to drive it. For the year 2004 approximate annual full coverage would be \$1000 for a vehicle with a value of \$10,000, \$2,000 for a value of \$20,000.

3. Householders' Theft Insurance

This insurance covers FORCIBLE ENTRY only. The annual premium is about 1¾% of the sum value of the items insured, but depends upon the location and on the security of the insured premises. It is necessary to insure all items within the premises except cash, securities and jewellery, which cannot be insured. You cannot select to insure only the high-risk items.

4. Medical Insurance

INS (Instituto Nacional de Seguros) offers medical insurance. The group plan offered by the Association of Residents of Costa Rica would save about 6% of the premium cost.

- It takes INS about three weeks to study applications for insurance. An applicant may not pay until accepted.
- The premium period is annual, on the calendar year. If the first year is not a calendar year the premium will be prorated.
- The ARCR policy has the maximum limit of ₡8,000,000) per year. (About \$17,500 at Jan 1, 2005)
- Dental work, eyeglasses and cosmetic surgery are only paid if they are needed as the result of an accident.
- The plan does not cover pre-existing conditions, AIDS, VD, non-prescribed expenses, medical expenses resulting from cataclysmic events, injuries from fighting (except in self defence), injuries from tournament sports, martial arts, other dangerous activities or under the influence of alcohol or drugs, mental or nervous disorders, allergies, stress and plastic surgery.

- There is a 12-month moratorium on ailments such as glaucoma, cataracts, ENT, women's reproductive organs, breasts, asthma, hernias, pregnancy, prostates, stones and osteoporosis.
- Claims are based on a table rating types of treatment administered.
- Costs vary with age and sex; the policy is available up to age 100. Applicants over the age of 69 must undergo an examination by an INS doctor.
- 10% of the insured amount can be paid for outpatient services each year. The other 90% is for hospitalization, surgery, private room, ambulances, home care, therapy, prescriptions, etc.
- In case of death 50% of the insured amount is paid to the named beneficiary.
- The plan pays 75% of prescription drugs, examinations, doctor visits, hospitalisation and surgeons' fees. If generic medicine is available it pays 70% of patent medicine costs.
- The patient is free to choose the doctor.
- The patient must pay the bill then fill out a claim form with their main doctor's signature on it. In case of hospitalization only the 25% deductible need be paid PROVIDED preauthorization is received from INS a week before hospitalization. If not the full amount must be paid and a claim submitted.
- Sample annual premiums in colones for the year 2005 before ARCR discount.

Age	Men	Women	All
Minors to 18 years			152,000
19-25		490,000	
30-34	115,000		
45-49	232,000		
55-59		526,000	
60-64	466,000		
70-75	908,000	985,000	

CCSS plan (Caja Costarricense de Seguro Social)

This is the government medical plan that most Costa Ricans have. Payment for every employee is compulsory.

- The plan covers pre-existing conditions, doctor visits, prescription drugs, examinations, hospitalisation, dental and eyes.
- There is no limit on annual amounts paid out by the plan.
- A doctor and clinic is assigned to the patient.
- The cost through the ARCR is very reasonable - \$37.00 per month for a family where the principal insured person is over 55 years of age, and \$58.00 per month where the principal insured is under the age of 55. For those under 55 there is a compulsory pension fund payment in the premium. Family includes spouse and dependants under the age of 18 years. Quoted prices are for the year 2004.

5. **Householders' Insurance**

In Costa Rica it is advisable to be insured for earthquake as well as fire, water damage and natural disaster. It is possible to insure the house, the house plus contents, or the contents

alone. The cost for a complete package in 2004 is 0.2753% of the value of the building per year.

There are four classes of coverage.

- 'A' covers fire and lightning.
- 'B' covers damage from riots, disturbances, hurricane, wind, explosion, smoke, falling objects, vehicles & resulting fire.
- 'C' covers floods and landslides,
- 'D' covers earthquakes, tremors and resulting fires. C & D are sold jointly. It is possible to purchase A alone, A + B, A + CD
- This means that full coverage for a \$100,000 home would cost \$275.30 per year;

Discounts on homeowner's insurance are available to ARCR members through the ARCR office.

6. Householders' Liability Insurance

Estimated annual premium for an average household would be \$200 to \$300 per year. As Costa Rica is not a litigious country, this coverage is not so important for the common householder.

7. Electronic equipment insurance

The rate is up to 5% of the value of the items insured. This includes computers, faxes, telephone answering machines, photocopiers, cellular phones, etc. It covers damage caused by lightning, power surges and fire. If theft and all risks are to be included it is higher. Payment is based on straight-line depreciation over five years, so the policy is good only for newer items.

8. Life Insurance

Previously life insurance was available only in colones, and the devaluation factor made it impractical. INS now has a program of life insurance in dollars. The policy is part insurance, part savings and double indemnity for accidental death. The savings portion is guaranteed to pay 4.5% interest.

VEHICLES AND TRAFFIC LAW

1. Import Duties

Currently the import cost on a car from new to 3 years old is 52.29 % of its value. A used car from 4 to 5 years old has import duties of 63.91 %, and a car over 5 years old 79.03 %. The government sets the value of the car for tax purposes. The value placed on an older car has nothing to do with the condition of the car, only the year, make, model, engine and accessories. It is, therefore, not wise to import a vehicle that is not in excellent condition. The formula to calculate the exact value is complicated, so it is best to get a quotation in advance of importing. The ARCR does this for members.

2. Marchamo

This is the obligatory liability insurance carried on all vehicles in Costa Rica. It must be renewed annually between November 1 and December 31. A car without an insurance decal on the windshield is illegal after the 1st of January. When the marchamo is paid, it is necessary to pay any parking or traffic tickets that were issued against the car during the year and to prove that the vehicle inspection sticker is current. It can be done at the MOPT offices, or at a number of private locations including some private banks. The cost of the marchamo depends on the year, make and model of the car.

A special vehicle tax on vehicles valued at 7,000,000 colones or more will be payable with the marchamo starting in 2003. This is a tax in the temporary tax package for debt reduction of January 2003. The tax is 50% of the vehicle property tax. For example, a vehicle valued at 9,000,000 colones would have an annual addition fee of 100,000 colones.

3. Vehicle Technical Inspection

Each vehicle must have a certificate in the car and a decal on the windshield that proves the vehicle inspection is current. Inspections are done at one of the many specially constructed locations around the country. They were built and are operated by a Spanish firm that won the contract to perform motor vehicle inspections.

The month of the inspection depends upon the last digit of the license plate. The vehicles are tested for exhaust emissions, brakes, lights, turn signals, windshield wipers and a list of other safely related features. Vehicles without a valid decal on the windshield and document in the car are subject to a fine if caught by the transit police. It is also not possible to get the next marchamo without proof that the inspection is current. There is a charge for the inspections.

Inspections are necessary each year on older vehicles, and every two years for newer vehicles.

4. License Plates

A car will initially be issued with a paper license (placa), which must be affixed to the front windshield. Because they fade in the sun it is advisable to affix a photocopy to the windshield and to carry the original in the glove compartment. There is an expiration date shown on the paper placa. If you are caught driving the vehicle beyond this date the fine is from 10,000 to 20,000 colones.

To renew the paper placa if metal plates are still not available, the paper license must be taken to the public registry in Zapote and they will put a seal on it to extend it. There is no charge for this service. The license cannot be renewed until the day it expires. There are services available to do this for you for a small fee, including at the Association of Residents of Costa Rica. This avoids confusion at the registry and standing in line. The public registry in Zapote is famous for its line-ups.

When metal plates come in, take photocopies of the following documents to the central registry in Zapote.

- * Provisional placa (paper original)--The original will have to be turned in
- * Title deed to the car. (Titulo de propiedad)
- * Yellow registration card. (Tarjeta de circulación)
- * Resident ID Card (Cédula or carnet) or passport

The documents are in case they are requested. They will sometimes need to keep copies of the resident ID card or passport, the title deed and the registration card. (The two can be on one photocopy) Once again; it is recommended that someone such as the Association of Residents of Costa Rica perform this service. It is well worth the small fee!

NOTE: It is illegal to operate a motor vehicle without a valid cédula or passport (or a copy certified by a lawyer), a valid drivers license either Costa Rican or foreign, and the original of the paper license if metal plates are not on the car. A foreign driver's license is invalid for tourists if the length of stay permitted (usually 3 months) in the passport have been exceeded. It is possible for the transit police to impound the vehicle if any of the papers mentioned are not valid, or are not in the vehicle. With a rental car the rental agreement needs to be carried.

5. Traffic Offences

Traffic enforcement falls to the transit police. They wear khaki pants and white shirts, and drive marked blue cars, blue or white pickup trucks or a variety of motorcycle types. Most speed enforcement is done with a hand held radar gun from the side of the road. If you are exceeding the speed limit the officer will motion you to stop. He will request the paperwork mentioned previously and will usually show you the radar gun to confirm your speed.

Speeding fines are currently 5,000 colones up to 20 KPH over the speed limit and 20,000 colones if more than 20 KPH over the speed limit. The fine for going through a red light is 10,000 colones. If fines are paid before the end of the year when the marchamo is purchased it is necessary to pay at a specified bank in the national banking system. A service charge for receiving the fine payment will have to be paid in addition to the fine.

Speed limits are usually 90 KPH on major highways in the Central Valley, and are 60 KPH at all intersections. 75 KPH is common on many secondary highways and outside the Central Valley. School zones are usually 25 KPH when students are present.

Most transit police are very polite, and on many occasions if they feel the driver is a confused tourist, they may simply give a warning provided all papers are in order.

CATEGORIES FOR MANUFACTURING & EXPORTING

1. The Free Trade Zone

Companies located in free trade zones operate largely tax and duty-free. No more than 25% of production may be sold on the local market. Taxes and duties apply if the amount permitted for local sales. The new investment in fixed assets must be at least \$150,000 for companies located inside free zone areas, or \$2,000,000 for companies located outside of free zone areas.

Tax exemptions include import duties, capital tax (10 years), 100% income tax exemption for 8 years then 50% for the next 4 years, sales tax, export tax, selective consumption tax, property tax, real estate transfer tax, and withholding tax on payments made outside of Costa Rica. Income tax exemptions of up to 12 years are available if the company is located in an area of “lesser relative growth.”

Another benefit is simplified customs clearance procedures.

2. Drawback Industries

This allows temporary duty free admission of goods to be processed in Costa Rica for export to countries outside Central America and Mexico. There are tax benefits and streamlined customs procedures.

3. Promotional Agencies

CINDE - This is a private, non-profit organization that promotes social and economic development in Costa Rica through private investment. It was originally funded by AID, the foreign development organization, but now is funded locally.

PROCOMER - This is a government-funded organization to assist manufacturers and other companies locate in Costa Rica.

For contact names, addresses, telephone, fax and email see the “RESOURCES” section at the end of this book.

BANKING

1. National Banks

The government owns these banks. Costa Rican laws governing banking secrecy apply to them. These were the only banks that were permitted under law to operate chequing and savings accounts in Costa Rica until 1996 when private banks were permitted to compete in this area.

Accounts can be operated in US dollars or colones.

The government of Costa Rica guarantees without limit all deposits in government owned banks of the National Banking System of Costa Rica.

The national banks can be slow and bureaucratic, but are trying to become more competitive. If you need to open an account, it is wise to go with a friend who has an account already in the bank you wish to deal with - it will speed the process considerably. The Association of Residents of Costa Rica can also assist in the establishment of a bank account. It usually requires \$US500 to open a chequing account. Savings accounts can require less money to open an account, but require personal attendance to do transactions - no cheques can be issued. They have no minimum balance for the account, and cheque and deposit charges are minimal. Most banks have cash machines and issue debit cards.

When making deposits consider the following.

Cheques from outside Costa Rica, including bank cashiers cheques and traveller's cheques, usually require 30 working days before the funds will be usable after they are deposited. Cheques issued on these funds prior to that date would be returned, "Funds not available". Talk to the Casa Canada Group about speeding out of country cheque processing - it can be reduced to about 8 days. Foreign currencies, other than US dollars, will likely not be accepted for deposit except at some banks operating foreign exchange facilities. US dollar postal money orders are not accepted in Costa Rica.

Cheques issued on Costa Rican private banks and deposited at a different bank will take 8 or 9 working days before the funds will be able to be used. Cheques deposited from the same bank are usually available the next day.

Bank wire transfers are available as soon as they arrive. If you are expecting a wire transfer, allow 4-5 working days from the date of transfer then start asking the "transferencias" department of the bank to which funds are being transferred if your funds have arrived. If you are not diligent, the bank may not deposit the funds in your account for some time.

Expect a service charge of \$15-22 to receive wire transfers.

To be able to use some cashiers cheques and traveller's cheques, right away, the bank will charge a commission to permit immediate use of the funds.

Mortgages and loans from Costa Rican Banks take a very long time for approval. The procedure can take many months. After waiting months it is not unusually to be turned down for any one of a number of reasons, or to be told statements and other documents are out of date and must be updated.

The State Commercial Banks are:

Banco Nacional de Costa Rica

Banco de Costa Rica

Banco Credito Agricola de Cartago

Banco Internacional de Costa Rica - This is classified as a private bank although it is owned 80% by Banco Nacional and 20% by Banco de Costa Rica. Deposits are guaranteed by the government as with other state banks.

2. Private Banks

Private Banks offer full service banking, including foreign exchange, loans, transfers, letters of credit, mortgages and collections. Service charges for account operation at private banks can be higher than at the national banks when the minimum deposit balance is not maintained. The deposit required to open a chequing account varies, but is usually around \$1,000-\$1,500.

The private banks are:

Banca Promérica S.A.

Banco Cuscatlan S.A.

Banco Uno S.A.

Banco de San Jose S.A.

Banco BCT S.A.

Banco Lafise S.A

Citibank (Costa Rica) S.A.

Banco Banex S.A.

Banco Interfin S.A.

Scotiabank de Costa Rica S.A.

Banco Cathay de C.R. S.A.

Banco Improsa S.A.

Many private banks have “payable through” chequing and savings accounts that are administered by banks outside of Costa Rica. This can sometimes be an advantage as it is possible to transfer funds to, and write cheques on, banks in the US or other jurisdictions.

Casa Canada Group strongly recommends foreign residents in Costa Rica do not open accounts with Banco Banex. Their procedures discriminate against foreign residents in that they require a police or interpol report, a letter from the embassy of the country of citizenship and other fairly onerous documentation - and even then they may well refuse to open an account with no reason given. Talk to Casa Canada Group or the Association of Residents of Costa Rica for suggested banks that will be appreciative of your patronage.

LEGAL AND GOVERNMENTAL SYSTEM

1. Based on the French Civil code, not the English legal system.
2. Government of Costa Rica has 4 branches.
 - a) Judicial
 - b) Executive - President and cabinet ministers
 - c) Legislative - Elected members
 - d) Electoral Tribunal - takes over police and all government functions dealing with elections before each election. Members are usually unpaid volunteers who are judges. This is to ensure all elections are completely democratic and free.
3. The government ministers are not chosen from elected members, but are appointed by the president.
4. There are 3 levels of courts.
 - a) District Courts
 - b) Appellate Courts
 - c) Supreme Court
5. The Supreme Court has 4 chambers.
 - a) Commercial and civil law
 - b) Administrative and labour law
 - c) Criminal law
 - d) Constitutional law. This is called "Sala Cuarta".

Challenges of legislation on the grounds of constitutional law are common and often successful. Disputes over environmental issues, property rights, business rights and any other issues involving constitutional rights would be heard by Sala Cuarta.

6. All lawyers must be members of the “Colegio de Abogados”, or bar association. Notaries, who are empowered to take affidavits and dispositions, plus witness and certify the validity of documents, must be lawyers as well as being notaries. They must be registered with the Dirección Nacional de Notaridado, a part of the court system.
7. Rights against a lawyer

While Costa Rica has many good lawyers, there are also dishonest lawyers in the system. If you are cheated by a lawyer you do have some recourse. Complaints against a lawyer who has violated the code of ethics of the Colegio de Abogados can be filed with the Colegio. The inspectors’ office will then investigate the complaint and may call a conciliation meeting to see if settlement can be made. If no

settlement is made, the Board of Directors will study the case, and if it finds fault they will hand down appropriate sanctions.

Complaints against a notary must be filed with the notary directorate of the court, after which a more extensive investigation will take place. If it is found the complaint has merit there will be a court case, which is handled like a criminal case with prosecutors from the notary court. The complainant then becomes a civil party to the action as well as victim. If the notary is found guilty compensatory and punitive damages are awarded. There is a fund into which all notaries pay to supply them with a fidelity bond. The fund will only pay up to the amount the notary has paid in, however, so a new lawyer may have very little available. If funds are paid out on behalf of a notary, the notary is suspended until the funds are replaced.

In 1998 the regulations were change to prohibit notaries from putting a “hold harmless” clause into a contract, and contracts with that clause in it no longer protect the notary. The statute of limitations to prosecute a notary is two years.

Before hiring a lawyer consult with Casa Canada, ARCR or another reputable sources with considerable legal experience in Costa Rica. There are almost 16,000 lawyers in Costa Rica. Of those 50% were licensed in the past 8 years, so they may have limited experience. Choose your lawyer with great care, generally choosing a specialist in the area where you need legal assistance.

SALES TAX

1. Sales tax is 13% of goods or services. Professional fees to doctors, lawyers, dentists and other independent professionals are exempt.
2. In restaurants the bill will be 23% more than the menu price. The 13% sales tax is charged, plus a tip of 10%. If you have particularly good service a little extra can be left, but remember that the tip is included in the price of the meal.
3. The sales tax on airline tickets is 5%.
4. The sales tax on hotel rooms is 13%, plus a tourist tax of 3.9%, for a total of 16.9%.

WITHHOLDING TAXES

1. These are payable at source in Costa Rica on earnings by non-residents of Costa Rica.
2. Categories:
 - a) Dividends - 15%. May be partially exempt if the dividend is taxable in the country of residence. They are not taxable to Costa Rican corporations.
 - b) Interest income - 13.75%. Not applicable to banks or financial institutions recognized by the Central Bank of Costa Rica as it is included in the interest rate offered, or to suppliers of merchandise. It is not taxable to Costa Rican Corporations. The borrower is responsible to ensure withholding tax is paid where required.
 - c) Royalties, patents, trademarks, franchises - 25%
 - d) Technical services & management fees - 25%
 - e) Transportation & communication services - 8.5%

DEMOGRAPHICS (From the year 2000 census)

1. Costa Rica has a young population, indicating a growing productive work force and consumer group.

Age (Years)	Population %
0 - 14	34.8
15 - 29	27.3
30 - 44	20.9
45 and over	17.0

2. 45.4% of Costa Ricans have a telephone. Almost all other who do not have their own phone have access to a public telephone within a reasonable distance of their residence.
3. Costa Rica has an area of 19,730 square miles.
4. The population of Costa Rica is 3,810,000 according to the 2000 census.

51% live in the greater San José area of the Central Valley.
 75% live in the provinces of San José, Alajuela, Heredia and Cartago.
 25% live in the provinces of Puntarenas, Guanacaste and Limón

	Population (2000 census)	AREA (Sq. Kms)
COSTA RICA	3 810 179	51.100
1. SAN JOSE	1 345 750	4965.90
2. ALAJUELA	716 286	9757.53
3. CARTAGO	432 395	3124.67
4. HEREDIA	354 732	2656.98
5. GUANACASTE	264 238	10140.71
6. PUNTARENAS	357 483	11265.69
7. LIMON	339 295	9188.52

5. Radio and TV are commercially owned in Costa Rica. 87% of the population, or a market of 2.9 million, are reached by radio and TV.
6. There are three major daily Spanish language newspapers-La Nacion, La Republica and La Prensa Libre. There are many other smaller Spanish language newspapers and magazines. There are two weekly English language newspapers, the Tico Times and Central American Weekly. Tico Times is more inclined towards news, while Central American Weekly is more of a tourist newspaper. The Costa Rica Acktuel is a German weekly. There are also English language magazines.

TELEPHONE SERVICE

- Costs per minute, after the first minute, for long distance calls. (U.S. dollars)

Calls from Costa Rica to:	Mon-Fri 7AM-7PM	Mon-Fri 7PM- 10PM	Mon-Fri 10PM-7AM Weekends
Central America	0.40	0.35	0.28
Panama	0.40	0.40	0.40
USA, Mexico, Canada	0.45	0.45	0.45
Europe, S. America, Other	0.60	0.60	0.60

- Commercial basic telephone service is 2,000 colones per month plus ¢95 per month paid for 911 service. This includes 150 impulses.
- Residential basic telephone service is 1,650 colones per month plus ¢95 per month paid for 911 service., including 150 impulses.
- Cellular telephone service is 3,000 colones basic plus ¢35 per minute during prime time, and ¢30 per minute from 7 AM to 7 PM Monday to Friday, and ¢23 per minute from 7 PM to 7 AM, and on weekends and holidays. The basic charge includes 60 minutes of use.
- Internet charges are \$25.00 per month, which includes 25 hours of use. Charges for usage in excess of 25 hours is \$0.90 per hour. Personal Internet service is available at the bargain rate of \$15 per month for unlimited usage. The \$15 per month does not include the cost of the telephone line, which will be billed by the number of impulses.
- There are no long distance calls within Costa Rica. The cost to use the phone is measured in impulses. One impulse equals 60 seconds of phone time.
- Telephone bills are subject to 13% sales tax.

ELECTRICAL SERVICE

1. Domestic electricity rates - ¢17.30 for the first 200 KWHs, then ¢27 per KWH.
2. Commercial electricity rates - ¢31,784 for the first 8 KWHs, then ¢3978 per KWH
3. 94.7% of Costa Ricans have electricity, compared to an average of 58.5% for the rest of Central America.
4. Most electricity is hydro electric, with a small amount diesel generated. Wind powered generation has increased considerably, as has thermal generation using Costa Rica's volcanoes as a source of the heat.

APPENDIX 'B'

Change in the Rate of Exchange as at the Last Day of Each Month Costa Rican Colones to U.S. Dollars (Devaluation of the colon)

Month	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Jan.	138.65	138.69	153.17	167.77	197.83	222.41	246.32	274.06	299.95	319.45	344.79	382,33
Feb.	138.50	138.89	153.64	170.12	199.95	224.48	248.32	276.44	301.67	321.00	347.57	385,55
Mar.	133.64	138.86	154.49	172.83	201.92	226.41	250.32	279.08	303.55	322.88	350.39	388,83
Apr.	131.32	138.86	154.85	174.91	203.82	228.60	252.35	281.34	304.92	324.20	353.25	391,99
May	128.68	138.86	155.75	177.64	205.90	230.87	254.44	283.99	306.63	325.99	326.74	395,44
June	134.98	141.24	156.66	180.22	207.60	233.07	256.85	286.64	308.42	327.85	359.79	398,59
July	134.83	142.82	157.87	182.48	209.80	235.06	259.40	288.97	310.00	329.72	363.08	402,22
Aug.	136.00	144.69	159.19	185.06	211.78	236.91	261.69	290.78	311.74	331.80	366.11	405,55
Sept.	136.58	146.58	160.59	187.62	213.94	238.80	264.07	292.62	313.35	333.99	369.12	408,88
Oct.	137.04	148.39	162.36	190.29	215.88	240.96	266.67	294.55	315.01	336.38	372.64	412,54
Nov.	137.53	150.43	164.14	193.15	218.41	242.70	269.17	296.42	316.79	339.15	375.88	415,97
Dec.	138.07	152.08	165.63	195.37	220.31	244.53	271.49	298.36	318.30	341.40	379.05	419,01

Source: Banco Central de Costa Rica.

APPENDIX 'C'

Costa Rica

1999 Inflation

MONTH	INFLATION	ACCUMULATED
January	1.80	1.80
February	0.73	2.54
March	-0.37	2.16
April	0.12	2.28
May	0.81	3.11
June	1.39	4.55
July	0.25	4.81
August	0.59	5.43
September	0.60	6.12
October	1.47	7.68
November	0.94	8.69
December	1.31	10.11

Costa Rica
2000 Inflation

MONTH	INFLATION	ACCUMULATED
January	1.78	1.78
February	1.45	3.25
March	0.68	3.95
April	-0.35	3.59
May	-0.08	3.58
June	1.35	4.91
July	1.23	6.29
August	0.66	6.99
September	0.38	7.40
October	0.63	8.08
November	0.83	8.97
December	1.17	10.25

Costa Rica
2001 Inflation

MONTH	INFLATION	ACCUMULATED
January	1,39	1,39
February	1,15	2,56
March	1,71	4,31
April	1,25	5,62
May	0,68	6,34
June	0,28	6,64
July	0,61	7,29
August	0,80	8,14
September	0,61	8,80
October	0,07	8,87
November	0,89	9,76
December	1,09	10,96

Costa Rica

2002 Inflation (Monthly and accumulated)

MONTH	INFLATION	ACCUMULATED
January	1,12	1,12
February	0,45	1,57
March	0,78	2,34
April	0,17	2,54
May	0,63	3,19
June	0,64	3,84
July	1,47	5,37
August	1,19	6,62
September	0,40	7,04
October	0,66	7,74
November	1,03	8,86
December	0,76	9,68

2003 Inflation (Monthly and accumulated)

MONTH	INFLATION	ACCUMULATED
January	0,65	0,65
February	0,81	1,47
March	0,65	2,12
April	0,96	3,11
May	0,52	3,65
June	0,67	4,34
July	0,80	5,18
August	0,41	5,62
September	0,13	5,73
October	1,17	6,99
November	1,42	8,51
December	1,36	9,87

APPENDIX 'D'

RESOURCES

From personal experience we can recommend the following companies and people for their integrity and reliability. These are not paid listings, but are people we know with whom we feel our clients can deal with confidence.

Association of Residents of Costa Rica (ARCR)

Attilio Gilberti - President	Casa Canada,	Tel: (506) 233-8068
Bob Miller - Vice-President		
Ryan Piercy - General Manager	Esq. Av.4 & Calle 40 San Jose, Costa Rica	Fax: (506) 255-0061 E-mail: arcr@casacanada.net
Elena Moreira - Member Services Manager		Web site: www.arcr.net
Juan Carlos Quesada - Administrative Manager		

Guanacaste Province Branch

25 meters west of cemetery, next to Papagayo Management Services, Playas del Coco

Hours: Monday to Friday 9 AM until 4 PM

Tel: (506) 670-0827

Fax: (506) 670-0825

Email: arcrgte@hotmail.com

Services: English and Spanish spoken. Costa Rican residency, government documentation, discount insurance for members, lobby for foreign residents. Services for members include customs brokerage, credit checks, direct access to central registry for land, vehicle and company checks, postal and courier services, fax, copy and translation services, social and cultural events, excursions, discounts at hundreds of merchants and restaurants, medical plans, full in house insurance office, internet café, English language book exchange, charity services and much more.

ACCOUNTING & TAX CONSULTATION

Dennis Rocha G.	P.O. Box 2557-1000	Tel: (506) 221-0581
	San José, Costa Rica	Fax: (506) 222-8233
	Street Address:	Email: drocha@costarricense.cr
	Ave. 2 between Calles 38 & 40, San José	

English and Spanish spoken

COMPANY FORMATION AND MANAGEMENT

Administración Corporativa Canadiense Costarricense S.A. Telephone: (506) 222-1722
Mail: P.O. Box 1068, Centro Colon, Faxes: (506) 233-1152 or 222-8233
San José 1007, Costa Rica Email: ccgroup@casacanada.net
Street Address: Casa Canada Anexo 1, Av. 2 between Calles 38 & 40, San José, Costa Rica

Ready to go or custom incorporated companies, registered office, legal and mail service, shareholders and officers, visa debit or credit cards, accounting, income tax filing, establishing and operation of bank accounts, payment of bills and collection of income, property management

INSURANCE

ARCR office in Casa Canada Tel: (506) 257-6646
Esq. Av. 4 & Calle 40 Fax: (506) 255-0061
San José, Costa Rica Email: arcr@casacanada.org

Contact: Juan Carlos Quesada All types of insurance coverage

INVESTMENTS, MORTGAGES

Administración Hipotecas Canadiense Costarricense S.A. Telephone: (506) 222-1722
Mail: P.O. Box 1068, Centro Colon, Faxes: (506) 233-1152 or 222-8233
José 1007, Costa Rica Email: ccgroup@casacanada.net
Street Address: Casa Canada Anexo 1, Av. 2 between Calles 38 & 40, San José, Costa Rica

Placement of funds in mortgages, administration of mortgages and full collection services.

INVESTMENTS, ALTERNATIVE OFFSHORE FINANCIAL PRODUCTS

International Market Consultants S.A. Tel: (506) 256-5848
Casa Canadá, Esq. Av. 4 & Calle 40, San José, Costa Rica Fax: (506) 288-8679
E-mail: alan@weeks-imc.com

Contact: Alan Weeks

Independent consultant to qualified investors for a diversified selection of registered offshore private placement alternative investments, with proven risk control strategies. Full disclosure, registered custodians, administrators and auditors. Reasonable minimums required.

LAWYERS

CARTER LAW Casa Canadá, Av. 4 & Calle 40
San José, Costa Rica

Tel: (506) 257-6646
Fax: (506) 258 4101
E mail: jfcarter@racsa.co.cr

Contact: José Fernando Carter

English spoken. Real estate, corporate, criminal and general law.

Bufete Carvajal y Asociados - Casa Canada Anexo 1
Av. 2 between Calles 38 & 40, San José, Costa Rica

Tel: (506) 258-1672
or 221-1722
Fax: (506) 222-8233
Email: laucar00@yahoo.com

Real Estate, Commercial, Corporate, Family, Labour and General Law. English Spoken.

Alfredo Fournier y Asociados P.O. Box 348, Centro Colon
Address: Third Floor, Edificio San Jorge,
Paseo Colon & Calle 40, San José, Costa Rica

Tel: (506) 233-6086
Fax: (506) 258-0059

Email: alfredofournier@fournierlaw.com

English, French, Italian, and Spanish spoken. Corporate, civil, commercial, banking, intellectual property, real estate, tourism, administrative, international and air law, intermediation, specialists in franchising through CR Franquicias S.A.

Pacheco, Marin & Asociados Casa Canadá, Av. 4 & Calle 40
Offices 206, 207, 208
San José, Costa Rica

Tel: (506) 255-1592
Fax: (506) 255-0061
Email: crlexs@racsa.co.cr

English Spoken

Contact: Rómulo Pacheco Sibaja - Commerce & Banking, Corporations, Criminal Litigation and General Litigation
Luis Guillermo Marin - Immigration, Taxes, Constitutional and Administrative Litigation
Rómulo Pacheco Vargas - Labour Law, Family Law, Special Litigation.

Lilliana Torres Casa Canadá, Esq. Av. 4 & Calle 40
San José, Costa Rica

Tel: (506) 257-8068
or (506) 233-0293
Fax: (506) 255-0061
or: (506) 233-1941
E-mail: ltorres@racsa.co.cr

Residency, real estate, commercial and general law.

MONEY TRANSFER

Western Union - Casa Canada Anexo 1, Av. 2 between Calles 38 & 40, San José, Costa Rica

Contact: Oscar Rivera Garita
General Manager

Tel: (506) 221-6573 or 221-0172

Fax: (506) 221-8705

Email: webmaster@grupocomo.com

Fast money transfers to and from most areas of the world.

PRODUCTIONS, COMMERCIALS

LCA Producciones - Casa Canadá Anexo 1
Av. 2 between Calles 38 & 40
San José, Costa Rica

Tel: (506) 256-4303 Cel: 384-6417

Fax: (506) 256-4306

Email: tv@LCAproductions.com

Web Site: www.LCAproductions.com

Luz Cámara Acción Productions

Production of TV commercials and documentaries on film (16mm-35mm) and Electronic Cinematography. (Digital Betacam)

PROPERTY MANAGEMENT

Property Management S.A.

Mail: P.O. Box 1068, Centro Colon,
San José 1007, Costa Rica

Tels: (506) 222-1722 or 257-6646

Faxes: (506) 233-1152 or 222-8233

Email: propmgmt@casacanada.org

Street Address: Casa Canada Anexo 1, Av. 2 between Calle 38 & 40, San José, Costa Rica

Professional management of residential and commercial properties. Provision of guards, location and screening of tenants, administration of employees, maintenance, holiday rentals and much more. Contact Monika Trejos, Jorge Morales or Ryan Piercy.

REAL ESTATE

Canadian Commercial Corporation S.A.

Mail: P.O. Box 1068, Centro Colon,
San José 1007, Costa Rica

Tels: (506) 222-1722 or 257-6646

Faxes: (506) 233-1152 or 222-8233

Email: property@casacanada.org

Street Address: Casa Canada, Av. 4 & Calle 40
San José, Costa Rica

WebSite: www.123costaricarealestate.com

Real estate web site, media advertising, work with a network of proven professional real estate companies and agents to find the exact property, house or building a client requires.

SOFTWARE

Convexo S.A. - Casa Canadá Anexo 1, Av. 2 between Calles 38 & 40, San José, Costa Rica

Tel: (506) 222-2710, 222-3955, 222-6135

Fax: (506) 222-8233

Email: rhernandez@convexo.com or ventas@convexo.com

Authorized Symantec representative in Costa Rica. Sales and installation of corporate licenses.
Promotion of products and services in the Informatic Security Systems area.

TRAVEL

The Travel Store, Ltda. - Casa Canadá, Esq. Av.4 & Calle 40, San José, Costa Rica

Mailing address in Costa Rica: Apdo. 784-1250, Escazu, Costa Rica

Mailing address from outside Costa Rica: SJO-673, P.O. Box 025216, Miami, FL 33102-5216

Fax: (506) 255-0061

Contact: Jaime Colmenares – jaime@costaricatravelstore.com

Tel: (506) 257-6646 Ext. 103 or (506) 222-07862

Carolina Biamonte – carolina@costaricatravelstore.com

Tel: (506) 257-6646 Ext. 113 or (506) 257-2223

Ray Hagist - rayh@costaricatravelstore.com

Tel: (506) 257-6646 or (506) 279-8927

www.allcostaricatravel.com. www.costaricatravelstore.com, www.alllatinamerica.com

A full service travel agency offering: Discount Airline Tickets into and out of Costa Rica, Cruises, Sport fishing, Rent a Cars, Hotels, Tours, Charter Air & Van Transfers, land packages in Costa Rica and throughout Central, South & North America, Europe and Asia.

EMBASSIES

British Embassy

Georgina Butler – Ambassador P.O.box/Apdo.815-1007 Centro Colón, Tel: (506) 258-2025
Mauricio McPhail – Commercial attaché San José, Costa Rica Fax: (506) 233-9938
Email: engserv@dfait-maeci.gc.ca

Canadian Embassy

Manuel Ruiz - Senior P.O. box /B.P.351-1007 Centro Colón, Tel: (506) 242-4400
Commercial Officer San José, Costa Rica Fax: (506) 242-4410
Email: canadacr@racsa.co.cr

Sylvy Gariépy - Trade Commissioner – sylvy.gariepy@dfait-maeci.gc.ca

Embassy of Spain

Juan Jose Urtasun Erro P.O. box /Apdo. 64-1007 Centro Colón, Tel: (506) 222-1933
– Ambassador San José, Costa Rica Fax: (506) 222-4180
Email: embaes@racsa.co.cr

Embassy of the USA

Commercial Department Tel: (506) 220-3939
Fax: (506) 220-2305 or 220-3128
Email: commerce@racsa.co.cr

French Embassy

Norbert Carrasco-Saulnier P.O. box /Apdo. 10177-1000 Tel: (506) 234-4167
– Ambassador San José, Costa Rica Fax: (506) 234-4195
Email: sjfrance@racsa.co.cr

German Embassy

Dr. Helmut Guckel P.O. box /Apdo. 4017-1000 Tel: (506) 232-5533
– Ambassador San José, Costa Rica Fax: (506) 231-6403
Email: info@embajada-alemana-costarica.org

Italian Embassy

Dr. Gioacchino Carlo P.O. box /Apdo. 1729-1000 Tel: (506) 224-6574
Trizzino – Ambassador San José, Costa Rica Fax: (506) 225-8200
Email: ambitcr@racsa.co.cr

For a complete list of Embassies in Costa Rica; <http://www.rree.go.cr/c-diplo1.html>

For the complete list of Costa Rican Embassies worldwide; <http://www.rree.go.cr/lser-e1.html>

Business Assistance:

AMCHAM (American Chamber of Commerce)

Email: chamber@amcham.co.cr

Tel: (506) 220-2200

Fax: (506) 220-2300

CINDE - For assistance in establishing a manufacturing plant or other type of business in Costa Rica.

Contact: Edna Camacho, Managing Director
Email: rfait@cinde.org
Maritza Arroyo, Medical Devices Manager
Email: marroyo@cinde.org
Vanessa Gibson, Service Sector Manager
Email: vgibson@cinde.org
Lucia Gross, Electronics Sector Manager
Email: lgross@cinde.org
John Perez, Special Project Manager
Email: jperez@cinde.org

Address: P.O. Box 7170-1000 Tel: 506-299-2800
San José, Costa Rica Fax: 506-299-2867
Web Site: www.cinde.org

PROCOMER - For the promotion of trade and industry in Costa Rica.

Contact: Sonia Delgado, Manager of Information Center (Telephone extension 352)
Email: sdelgado@procomer.go.cr
Paula Redondo, Commercial Information Analyst (Telephone extension 292)
Email: predondo@procomer.go.cr
Freddy Gonzalez, (Free Zones)(Ext. 267)
Email: fgonzalez@procomer.go.cr

Address: P.O. Box 1278-1007 Tel: 506-256-7111
San José, Costa Rica Fax: 506-233-5755
Email: info@procomer.com Web Site: www.procomer.com

NOTE:

The Casa Canada Group does not act as expert tax counsel. The information in this booklet has been taken from a variety of sources and may be outdated or incomplete. Although the Casa Canada Group has researched the data in this booklet very carefully, it accepts no responsibility for any errors or omissions.