



Frequently Asked Questions



Objective

The purpose of this document is to provide answers to the most frequent concerns investors have when evaluating Costa Rica as a potential location for their business.

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General Facts

1) Where is Costa Rica located?

The Republic of Costa Rica, located in Central America, shares international land borders with Nicaragua to the north and Panama to the east and south. Additionally, it borders both the Caribbean Sea to the east and the Pacific Ocean to the west and south. The country has a total area of 51,100 km².

2) How is Costa Rica geographically divided?

Costa Rica is composed of seven provinces: San Jose, Alajuela, Heredia, Cartago, Guanacaste, Puntarenas, and Limon. These provinces are divided into 82 cantons. Some of the cantons located in San Jose, Alajuela, Heredia and Cartago comprise the Greater Metropolitan Area (GMA) which is the most populated region in the country accounting for 62% of total population and 66% of the national labor force.

3) What is the capital city?

San Jose is the capital city. It is located approximately 160 km (99.42 miles) away from the Caribbean Coast (Limon) and 96.3 km (59.84 miles) away from the Pacific Coast (Puntarenas).

4) What is the Government structure?

The Costa Rican State comprises three powers: executive responsibilities are vested in a President, legislative power is vested in the Legislative Assembly, and judicial power is vested in the Supreme Court.

There are two vice presidents as well as a cabinet appointed by the president. The president, vice presidents, and 57 Legislative Assembly delegates are elected for four-year terms, by universal suffrage.

The Supreme Electoral Body, the Office of the Comptroller General, the Office of the Attorney General of the Republic and the Office of the Ombudsman are institutions that enjoy full independence.

5) Is Costa Rica a politically stable country?

Yes, Costa Rica is one of the most stable countries in Latin America, as the following table shows:

Governance Indicator	Percentile Rank (0-100) ^{a/}	Latin American Ranking (18 countries)
Voice and Accountability	84.73	2
Political Stability	64.29	2
Government Effectiveness	62.02	3
Regulatory Quality	69.23	3
Rule of Law	67.79	3
Control of Corruption	66.83	3

Note: ^{a/} 0 is the lowest ranking and 100 is the highest ranking.

Source: World Bank Worldwide Governance Indicators, 2018.

6) How does Costa Rica rank in political and social indicators?

A summary of environmental, political and social indicators is shown below. The country leads the Latin American Region in several indicators

Index	Source	Year of Publication	Countries Sampled	World Ranking	Latin American Ranking
Press Freedom	Reporters Without Borders	2018	180	10	1
The Global Green Economy Index	Dual Citizen LLC	2018	130	14	2
Democracy	The Economist Intelligence Unit – Liveability	2018	167	20	2
Stability	The Economist Intelligence Unit - Liveability	2019	140 (cities)	83	2
Corruption Perception	Transparency International	2018	180	48	3
Global Peace	Institute for Economics & Peace	2018	163	40	3
Institution Component	Global Competitiveness Report	2018	140	44	3
Human Development	United Nations Development Programme (UNDP)	2018	189	63	4

7) What is the population of Costa Rica?

According to the National Institute of Statistics' estimations, Costa Rica had a population of 5 million in 2018. The population will reach 5.1 million in 2020.

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Investing in Costa Rica

8) Why do companies choose Costa Rica to expand their operations?

Costa Rica's value proposition focuses on six major key areas:

- **Proven Track Record:** More than 320 high-tech multinational companies are operating in Costa Rica and, in 2018, 48 new high-technology investment projects confirmed their decision to establish their operations in the country.
-
- **Qualified Workforce:** Costa Rica has an exceptionally talented and bilingual young workforce. Almost 100 % of employees in multinational companies are national.

Strategic Location: Preferential access platform to 2.57 billion people (34% of the world's population), and to more than 56% of worldwide GDP. 92.9% of exports of goods are covered by Free Trade Agreements (COMEX, 2019).

- **Excellent Business Climate:** The country enjoys an excellent business climate based on a renowned democratic tradition, economic and political stability.
- **Solid Infrastructure:** Almost 100% of energy is renewable. The country has redundant telecommunications access.
- **Quality of Life in Costa Rica is high:** World #2 place to retire in 2019 according to International Living, and San Jose, Costa Rica is the safest city in Latin America, ranking second in Stability Index, this component of Liveability ranking assesses prevalence of petty and violent crime and threat of terror, military or civil conflicts.

9) Which leading foreign investors are present in Costa Rica?

CINDE counts with extensive experience in the attraction of Foreign Direct Investment in strategic sectors such as: Services (Contact Centers, Back Office, Shared Services, Digital Technologies, Digital Services, Engineering & Design, and Regional Headquarters), Advanced Manufacturing, Life Sciences, Light Manufacturing and Food Industry.

Some of the most renowned companies that are operating in Costa Rica are:

Services Sector:

Contact Centers	Country-of-Origin	Year of establishment
Amadeus	Spain	1997
Amazon	USA	2008
Auxis	USA	2010
Carlson Wagonlit	USA	2013
Citrix	USA	2016
Client Services	USA	2011
Concentrix	USA	2008
CSS	India	2012
CyraCom	USA	2018
Dell Costa Rica	USA	2002
Dialog Direct	USA	2012
Encore	USA	2011
Fujitsu	Japan	2006
Global Alliance Service (ELI Global)	USA	2017
IBM	USA	2009
Language Line	USA	2002
SmileDirect Club	USA	2016
Stratus Video Costa Rica	USA	2015
SYKES	USA	1999
Techdata	USA	2007
Teleperformance	France	2010
Transperfect	USA	2017
Ttec	USA	2006
United Collection Bureau	USA	2006
UPS Supply Chain	USA	2004
Valor IT	USA	2014
Van Ru	USA	2005

Back Office	Country-of-Origin	Year of establishment
Access Personel	USA	2005
Auxis	USA	2010
BCD Travel	USA	2010
BPO International	USA	2005
CRx Lifesciences	USA	2019
GEP	USA	2015
HP Enterprise	USA	2004
HP Inc.	USA	2015
IBM (HR/IT)	USA	2004
Infosys	India	2013
Kareo - Costa Rica	USA	2011
Lightstorm	USA	2008
LL Bean	USA	1998
Moody's Analytics	USA	2006
Neustar	USA	2001
Pension Associates	USA	2010
SBM Management (Pacific West)	USA	2000
Trax Technologies	USA	2004
Unigroup	USA	2016
VMware	USA	2012
WNS	India	2009

Digital Technologies	Country-of-Origin	Year of establishment
4Thought Marketing	USA	2009
Akamai	USA	2012
AN Global	Mexico	2012
Astrix Technology Group	USA	2016
AT&T	USA	2018
Auxis	USA	2010
Avionyx	USA	2005
Blackbaud	USA	2018
Bodybuilding	USA	2011
Buildingi	USA	2010
Chiltern	USA	2017
Cognizant Technologies	USA	2013
Creative Drive	USA	2016
Crowley	USA	2013
Eurofins	Luxembourg	2018
Experian	UK	2008
Factora	Canada	2006
Feuji	USA	2016
Fiserv	USA	2004
GBT Technologies	Canada	2018
GFT Costa rica S.A.	UK	2013
Global Insurance Technology	USA	2007
HP Enterprise	USA	2004
IBM	USA	2012
Indecomm	USA	2015
Informatech	USA	2010
Intertec	USA	2003
IT Convergence	USA	2013
JD Soft	USA	2002
MicroFocus	UK	2017
NTT Data Inc.	Japan	2015
OTSI	USA	2014
QAT Global	USA	2018
Ridge Run	USA	2006
SecureLink, Inc.	USA	2014
Snap Software	USA	2014
Softtek	Mexico	2010
Syniverse	USA	2013
Tek Experts	Bulgaria	2011
TradeStation	Japan	2012
UST Global	USA	2014
Via Information Tools	USA	2004
Vichara	USA	2015
Vizalizer	Chile	2012
VMware	USA	2012
Wind River	USA	2018

Shared Services	Country-of-Origin	Year of establishment
3M	USA	2016
Accenture	Ireland	2005
Aliaxis	Belgium	2010
Align Technologies	USA	2001
Amway	USA	2010
APL	USA	2005
Aspen Pharma	South Africa	2014
AstraZeneca	UK	2017
Bacardi	Cuba	2014
Baxter Americas	USA	2005
Bimbo	Mexico	2015
Bombardier	Canada	2015
Bosch	Germany	2014
Bridgestone	Japan	2011
Brightstar	USA	2014
British American Tobacco	UK	2007
Cargill Business Services (CBS)	USA	2014
Citi Business Services	USA	2008
Construction Link	USA	2014
Curtiss Wright	USA	2010
DHL	Germany	2005
Dole SS	USA	2005
Emerson SS	USA	2009
Equifax	USA	1995
Ernst & Young	UK	2011
Evonik	Germany	2015
Experian	UK	2008
Fiserv	USA	2004
Gefinge	Sweden	2015
GlaxoSmithKline	UK	1990
HB Fuller	USA	2016
Hellmann Logistic	USA	2007
Ingram Micro	USA	2015
Intel SS	USA	2005
Inter-American Development Bank (IDB)	USA	2009
Kimberly-Clark	USA	2013
Lion Resources (Publicis)	France	2008
Lonza	Switzerland	2017
McKinsey & Co. Support Services	USA	2009
Medtronic	USA	2018
Merck	USA	2017
Mondelez	USA	2015
National Instruments	USA	2010
Oracle	USA	2007
Pfizer	USA	2013
Procter & Gamble GBS	USA	1999
Refinitiv	USA	2018
Roche	Switzerland	1985
Siemens	Germany	2016
Smith & Nephew	UK	2018

Shared Services	Country-of-Origin	Year of establishment
Stryker	USA	2018
Swarovski	Switzerland	2018
ThermoFisher Scientific	USA	2011
Thomson Reuters	USA	2011
UBER	USA	2017
VMware	USA	2012
Walmart GSS	USA	2011
Western Union	USA	1998
World Fuel Services	USA	2014
World Vision	USA	2013
Zoetis	USA	2013

Engineering & Design	Country-of-Origin	Year of establishment
AEC	USA	2010
Align Technologies	USA	2001
Emerson	USA	2008
Gensler	USA	2007
Holland Roofing	USA	2002
HP Enterprise (Networking)	USA	2009
Intel EDC	USA	2011
L&T Infotech	India	2013
National Instruments	USA	2010
NC Tech	Mexico	2013
Smile Direct	USA	2016
Trane	USA	2014

Digital Services	Country-of-Origin	Year of establishment
Accenture	USA	2005
Catalina	USA	2018
Cheetah Digital	USA	2017
FindaSense	Spain	2013
Konrad	Canada	2013
Lionbridge	Ireland	2014
Magma Studios	France	2011
Pop Digital	USA	2010
Possible	USA	2006
Prodigious	France	2013
Skim Group	The Netherlands	2013
The Hangar Interactive (Critical Mass)	USA	2008

Regional Headquarters	Country-of-Origin	Year of establishment
Aspen Pharma	South Africa	2014
ATL	USA	2013
Bayer	Germany	1978
Chiquita Brands	USA	2003
Overseas Logistics Operations	USA / Venezuela	2012
PolyOne	USA	2012

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Advanced Manufacturing Sector:

Automotive	Country-of-Origin	Year of establishment
AGM	USA	1995
Bridgestone	Japan	1967
Daewoo Bus	South Korea	1995
Deshler Automotive Products	USA	2008
Firestone Industrial Products	Japan	2009
Hutchings Automotive Products	USA	2004
Innovative Components	USA	2005
Proquinal	Colombia	2004

Metalwork	Country-of-Origin	Year of establishment
Daniels Manufacturing	USA	1992
Indian Global Manufacturing	India	2014
Oberg Industries	USA	2002
Okay Industries	USA	2012
Olympic Machining	USA	1996
Refameca	Venezuela	2012
Plato (Techspray)	USA	1986
UTITEC Inc.	USA	2005

Engineering, Design & Software	Country-of-Origin	Year of establishment
Altanova	USA	2008
Avionyx	USA	2005
Emerson	USA	2008
Johnson Controls	USA	1979
Intel EDC	USA	2011
Intel Megalab	USA	2014
Intel R&D	USA	2015
National Instruments	USA	2010
Twin Engines	USA	2006

Electronic Components	Country-of-Origin	Year of establishment
Bourns / Trimpot	USA	1979
Controles de Corriente	USA	1997
Electrotechnik	USA	2009
Huber+Suhner	Switzerland	2008
RDF Sensors Group	USA	2006
Samtec	USA	2006
Smiths Interconnect	UK	1997

Contract Manufacturers	Country-of-Origin	Year of establishment
Camtronics	USA	1992
ClamCheat	UK	2012
General Microcircuits	USA	2010
Micro Technologies	USA	1999
Tico Electronics	USA	1995
Zollner Electronics	Germany	2013

Electric Assemblies	Country-of-Origin	Year of establishment
Eaton	USA	1963
General Cable Corp	USA	1971
Havells Sylvania	China	1966

Consumer Electronics	Country-of-Origin	Year of establishment
Matthews International	USA	2015
Noxtak	The Netherlands	2015
Panasonic	Japan	1966
Saco International	USA	1995
Vitec / CPP	UK	1986

Telecommunications	Country-of-Origin	Year of establishment
GNFT	Spain	2011
L3 Communications	USA	2001
Panduit	USA	1994
Promitel	Colombia	2012

Distribution	Country-of-Origin	Year of establishment
Q-Source	USA	2000
Future Electronics	Canada	2014

Clean Tech	Country-of-Origin	Year of establishment
Valu Shred	Canada	2012

Engineering & Repair	Country-of-Origin	Year of establishment
Ingram Micro	USA	2012
Teradyne	USA	2000

Semiconductors	Country-of-Origin	Year of establishment
Triquint/Qorvo	USA	1996

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Life Sciences Sector:

Medication Delivery Systems	Country-of-Origin	Year of establishment
Baxter Healthcare	USA	1987
ICU Medical	USA	1999
Moog Medical	USA	2009

Endoscopy	Country-of-Origin	Year of establishment
Apollo Endosurgery	USA	2014
Boston Scientific	USA	2004
Horizons Intl.	USA	2005

Dental	Country-of-Origin	Year of establishment
Align Technologies	USA	2001
Implant Concierge	USA	2018
SmileDirect Club	USA	2016
Smith Sterling (a Glidewell Labs Co.)	USA	1994
Viax Dental Lab.	Venezuela	2014

Orthopedics/Sport Medicine/ENT	Country-of-Origin	Year of establishment
Smith & Nephew	UK	2002
Microport	China	2013
Wright Medical	USA	2010

Contract Manufacturers	Country-of-Origin	Year of establishment
Advant Medical	USA	2018
TE Connectivity (TE Medical Co.)	USA	2013
Biomerics ATL	USA	2013
Itek	USA	2017
Confluent Medical	USA	2010
Precision Concepts	USA	1991
SMC Ltd	USA	2011
TEGRA Medical	USA	2010
Viant Medical	USA	2004

Cardiovascular/ Vascular	Country-of-Origin	Year of establishment
Abbott Vascular	USA	2010
Boston Scientific	USA	2009
Cardinal Health	USA	2011
Medtronic	USA	2011
Abbott (St. Jude Medical)	USA	2010
Theragenics	USA	2014
Philips	The Netherlands	2010
Edwards Lifesciences	USA	2015

Women's Healthcare	Country-of-Origin	Year of establishment
Bayer	USA	2012
Bio TD	Costa Rica	2012
CooperMedical (Former CooperSurgical)	USA	2016
Hologic	USA	2004

Aesthetics	Country-of-Origin	Year of establishment
Allergan	USA	1999
Establishment Labs	USA	2009

Neuromodulation	Country-of-Origin	Year of establishment
Boston Scientific R&D	USA	2014

Suppliers	Country-of-Origin	Year of establishment
Applied Medical Precision	USA	2012
ATL Technology	USA	2013
CASS	USA / CRC	2014
Cincotek	USA	2012
Creganna Medical (a TE Connectivity Co.)	USA	2008
CRx Lifesciences (Enhanced Compliance)	USA	2018
G.Rau	Germany	2012
Freudenberg Medical	Germany	2011
International Precision Molds	Costa Rica	2006
Interwire	USA	2015
Spectrum Plastics Group	USA	2001
Merrill's Packaging	USA	2010
Micro Technologies	USA	1999
National Building Maintenance	USA	2013
Nelipak	USA	2005
Heraeus Medical components	USA	2012
Oberg Industries	USA	2002
Okay Industries	USA	2012
Pharma-Bio Serv	Puerto Rico	2016
PolyOne	USA	2012
Precision Coating	USA	2015
Prent	USA	2012
Product Automation Corp. (P.A.C)	USA	2017
Resonetics	USA	2015
Sachs	USA	2015
Specialty Coating Systems	USA	2006
Tekni-plex / Natvar	USA	2012
ThermoFisher Scientific	USA	2011
UTITEC Medical	USA	2005
VWR	USA	2014

Optics	Country-of-Origin	Year of establishment
Coopervision	USA	2012
Essilor	France	2015

Surgical Devices	Country-of-Origin	Year of establishment
De Royal	USA	1996

Neuro-endovascular	Country-of-Origin	Year of establishment
MicroVention	Japan	2011

Others	Country-of-Origin	Year of establishment
Proquinal	Colombia	2004

Radiology	Country-of-Origin	Year of establishment
Bayer	USA	2012

Sterilization	Country-of-Origin	Year of establishment
Sterigenics	USA	2010
Steris	USA	2008

Ostomy	Country-of-Origin	Year of establishment
Coloplast	USA	2018

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Light Manufacturing and Food Industry:

Food Industry	Country-of-Origin	Year of establishment
Sensient	USA	2009
Alimentos Conica	USA	2014
Fruta Sana	Israel	2015
Frutilight	Ecuador	2013
PaniFresh	Guatemala	2013
Coca Cola	USA	2018

Construction Materials	Country-of-Origin	Year of establishment
Bekaert	Belgium	2013
Cemex	Mexico	2011
Euroconcretos	Costa Rica	2004
TMG Manufacturing	USA	2014
Yellow Pallet	The Netherlands	2016

Textiles	Country-of-Origin	Year of establishment
Gildan	Canada	2014
Hilos A&E	USA	1994
IKOR	USA	1999
Rawlings	USA	1987
Relaxtech	Venezuela	2011
Proquinal	Colombia	2004
SAE A. Trading	South Korea	2012

Logistics & Distribution	Country-of-Origin	Year of establishment
Aceros Laminados	Venezuela	2016

Personal care	Country-of-Origin	Year of establishment
Kimberly Clark	USA	2013

Packaging Products	Country-of-Origin	Year of establishment
Greif	USA	1994
Gualapack	Italy	2012

Real State	Country-of-Origin	Year of establishment
Concentrix FTZ	USA	2010
Grupo Guerrero	El Salvador	2013

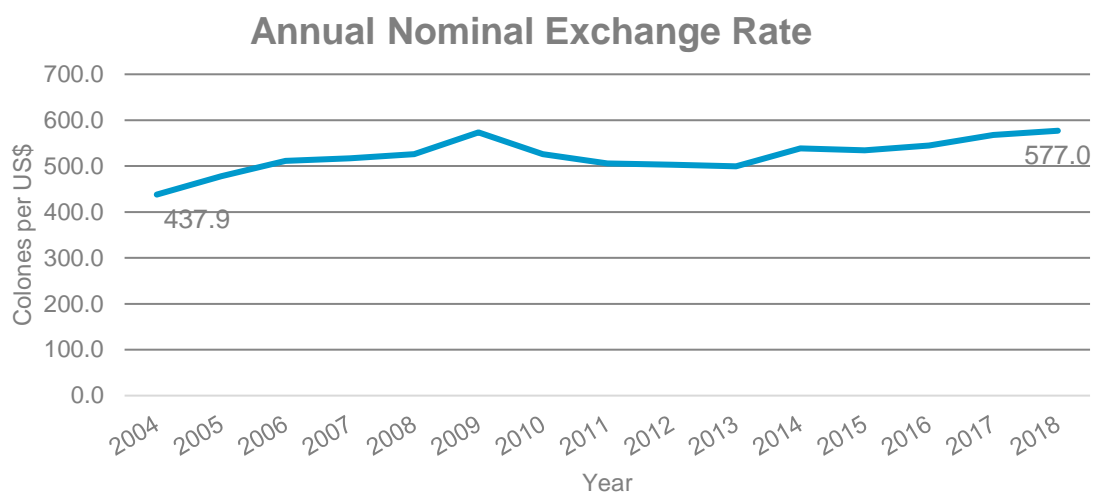
Agroindustry	Country-of-Origin	Year of establishment
Primoris	Italy	2019
Nicoverde	Belgium	2018

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Economic Performance

10) What is Costa Rica's currency and exchange rate?

The currency in Costa Rica is the Colon. As of December, 31th 2018, the exchange rate is US\$1=577.0 colones.



Source: CINDE based on data from the Costa Rican Central Bank, 2019.

11) What is Costa Rica's exchange rate regime?

As of February 2nd, 2015, Costa Rica's Central Bank announced the migration to a managed floating exchange-rate regime.

Under this new regime, the BCCR allows the exchange rate to be determined by the competition of forces of supply and demand of foreign exchange, but the national authority reserves the possibility of intervening to prevent violent fluctuations in the exchange rate.

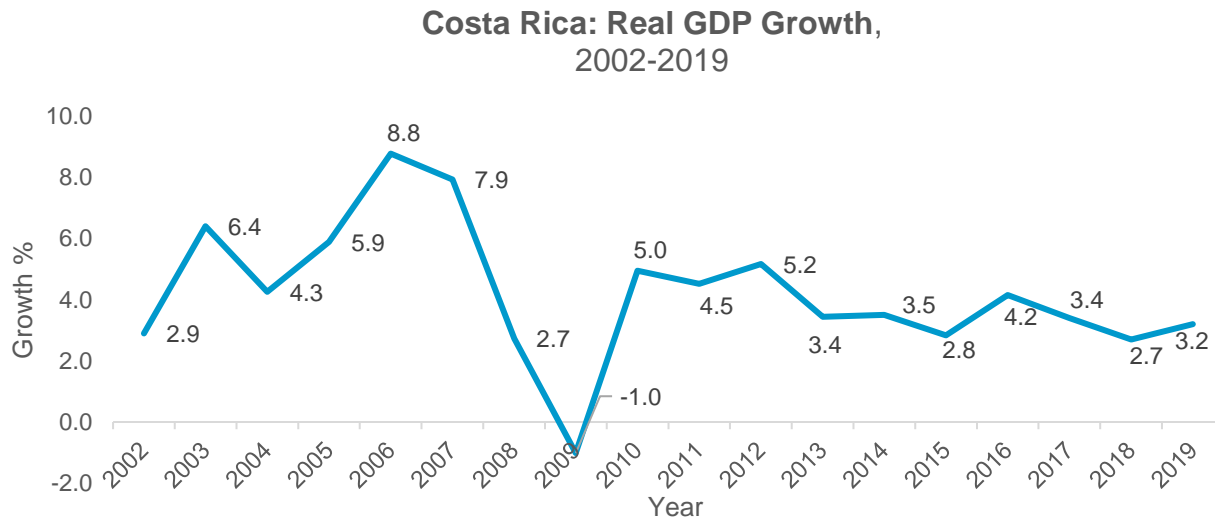
12) What is Costa Rica's GDP?

The Gross Domestic Product (GDP) is the market value of all final goods and services produced within the borders of a nation in a year. According to Costa Rica's Central Bank, GDP reached US\$60.13 billion in 2018.

The International Monetary Fund (IMF) estimates the GDP will reach US\$63.95 billion in 2019 and US\$67.64 billion in 2020.

13) Which has been the GDP's growth rate?

Costa Rica's real GDP experienced a decrease of 1.02% in 2009, due to the global economic crisis. According to the Costa Rican Central Bank, the economy recovered in 2010 and the country's growth rate has been continuously positive since then. Besides, Central Bank estimates GDP's real growth will be 3.2% in 2019 and 3.0% in 2020.



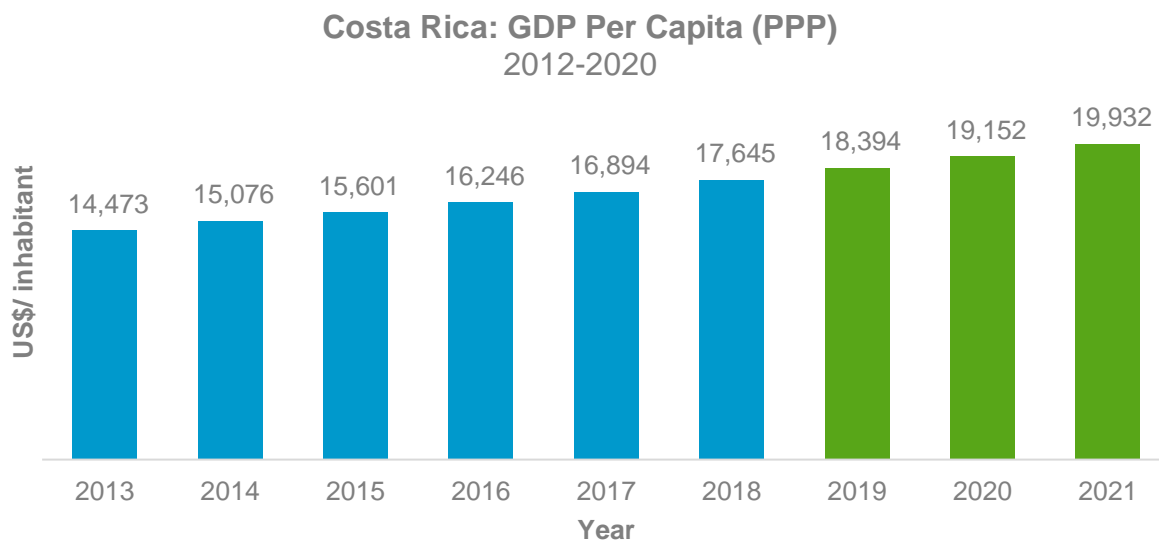
Note: Base year: 1991. Data estimated by the Central Bank for 2019.

Source: CINDE based on data from BCCR, 2019 and Programa Macroeconomico 2019-2020.

14) What is Costa Rica's GDP per capita (PPP)?

In 2018, the GDP per capita (PPP) reached US\$17,644.72. This value has been increasing for the past 6 years, as shown in the chart below.

According to IMF, GDP per capita will reach US\$19,151.58 in 2020.



Source: CINDE based on data from the International Monetary Fund, 2019.

15) What is the expected inflation rate for 2019?

In 2018 the inflation rate was 2.03%. The Costa Rican Central Bank expected inflation rate for 2019 is located within the target established by the monetary authority, which is 3.0 % (± 1 p.p.).

16) How does the banking system work?

The Costa Rican Banking system comprises the Costa Rican Central Bank, 4 public banks, 11 private banks and 34 financial institutions (mutual finance institutions, savings and loans cooperatives, and financial groups).

The state-owned banks are public, autonomous corporations, administratively independent but subject to governmental regulations, and are managed by a Board of Directors appointed by the Government for a term of eight years. These banks are allowed to open branches within the national territory and abroad. They are: Banco Nacional de Costa Rica, Banco de Costa Rica, Banco Popular y de Desarrollo Comunal, and Banco Hipotecario de la Vivienda (which is in charge of financing the purchase or construction of housing for low-income people).

There are 11 private banks: BAC San Jose, BCT, Cathay Costa Rica, CMB (Costa Rica), Davivienda (Costa Rica), General (Costa Rica), Improsa, Lafise, Promerica, Prival Bank and Scotiabank. They are governed by a Board of Directors whose members are appointed through their General Shareholders Meeting.

All banks are supervised by the Superintendent General's Office of Financial Entities (SUGEF).

17) What is the average loan interest rate?

As of December 2018, the average annual rate for industrial projects was 12.27% in colones and 9.62% in US dollars. (Average rate as of December 31st, 2018 for private and public banks)

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Foreign Direct Investment (FDI)

18) How have FDI inflows in Costa Rica evolved?

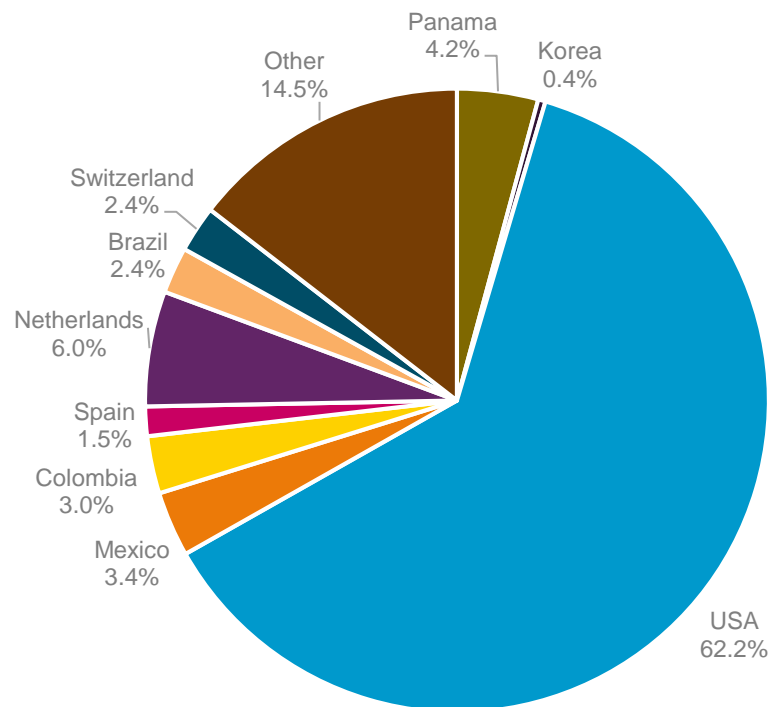
According to the Costa Rica's Central Bank, in 2018 the FDI inflows reached US\$2.1 billion, FDI inflows have grown at a Compound Annual Growth Rate (CAGR) of 8.4% every year since 2003.

According to the National Development Plan, over the period 2019-2022, Costa Rica intends to attract US\$10,5 billion on FDI. Part of investment inflows are connected to the high technology sectors, whereas other are related to projects intended to increase the country's competitiveness level, e.g. telecommunications, public works concessions, electricity generation contracts, among others. High tech sectors have been playing a substantial role in the strategy of FDI attraction, mainly projects in R&D, medical devices, advanced manufacturing, and corporate and specialized services (IT and IT enabled services). Promoting investment in areas outside the Great Metropolitan Area, and diversification of origins, will be crucial during next years to keep with this path.

19) Where does FDI come from?

About 62% of the FDI that Costa Rica received in 2018 came from USA, followed by The Netherlands (6%), Panama (4.2%), Mexico (3.4%), Colombia (3%), Switzerland (2.4%) and Brazil (2.4%).

Costa Rica: FDI Breakdown by country-of-origin 2018

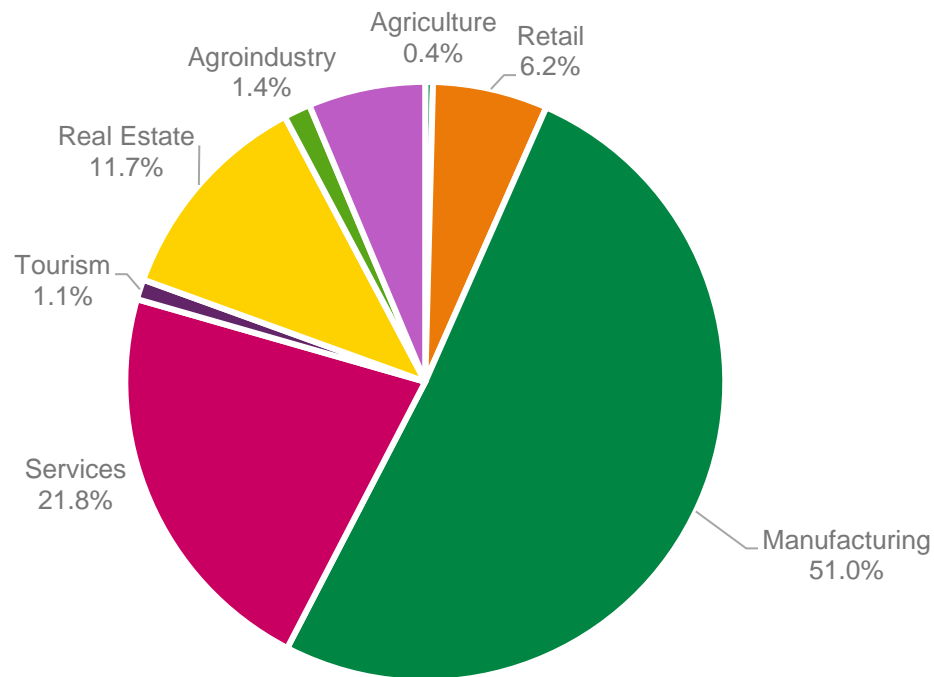


Source: CINDE based on data from the Costa Rican Central Bank, 2019.

20) Which are the leading sectors?

Costa Rica is one of the Latin American countries that receive more FDI in the manufacturing and the services sectors. Most FDI comes to Costa Rica seeking efficiency and an access platform towards international markets, rather than supply of local market or exploitation of natural resources.

Costa Rica: FDI Breakdown by sector 2018



Source: CINDE based on data from the Costa Rican Central Bank, 2019.

Foreign Trade

21) What were Costa Rica's exports and imports?

According to preliminary data from the Costa Rican Central Bank and PROCOMER, in 2018, Costa Rica's exports reached US\$20.41 billion (US\$11.31 for goods and US\$9.09 for services) and imports were US\$20.41 (US\$16.57 for goods and US\$3.85 for services).

	Exports (US\$ billion)	Imports (US\$ billion)
Goods	11.31	16.57
Services	9.09	3.85
Total	20.41	20.41

Source: CINDE based on data from PROCOMER and the Costa Rican Central Bank, 2019.

22) Which are Costa Rica's largest foreign trade partners?

United States of America is the most important market, it accounted for 39.3% in exports of goods in 2017. Other major partners are: Belgium (6.3% of total goods exportation), Panama (5.6%), The Netherlands (5.5%), United Kingdom (1.9%), Japan (1.7%), Spain and Italy (1.5% each).

Country/Region	Value in US\$ billions	%
USA	4.43	39.17
European Union	2.33	20.64
Belgium	0.66	5.85
Netherlands	0.68	5.99
United Kingdom	0.19	1.69
Spain	0.17	1.53
Italy	0.18	1.56
Central America ^{a/}	2.43	21.45
Caribbean	0.48	4.25

Country/Region	Value in US\$ billions	%
Asia	0.70	6.16
Japan	0.24	2.15
China	0.20	1.78
South Korea	0.04	0.33
South America	0.22	1.98
Others	0.72	6.36
Total export of goods (US\$ bn)	11.31	100.00

Notes: ^{a/} Includes: Panama, Nicaragua, Guatemala, Honduras, El Salvador, Belice.

Source: CINDE based on data from PROCOMER, 2019.

Costa Rica exports **4,302** different products to **150** destination countries.

23) Which countries has Costa Rica signed Free Trade Agreements with?

Costa Rica is an active participant in the multilateral trading system and an important supporter of the Central American regional integration process. The country's openness is reflected in its participation in several Free Trade Agreements (FTA). Costa Rica has in place 14 FTAs comprising trade with 50 commercial partners including the European Union (27), EFTA (4), United States, Canada, Mexico, Chile, China, Peru, Singapore and others—collectively representing 82.9% of the country's imports and 92.6% of its exports. The entry into force of the FTA with the remaining CARICOM countries and Korea, would raise preferential treatment to a total of 58 trading partners covering 84.0% of the country's imports and 93.0% of its exports.

- CACM (El Salvador, Guatemala, Honduras, Nicaragua)
- Mexico
- Chile
- Dominican Republic
- Canada
- CARICOM (Trinidad & Tobago, Guyana, Barbados, Jamaica and Belize)
- Panama
- CAFTA-DR (USA, El Salvador, Guatemala, Honduras, Nicaragua and Dominican Republic)
- China
- Peru
- Singapore

- European Union-Central America Association Agreement
- EFTA (Iceland, Liechtenstein, Norway and Switzerland)
- Colombia

In force agreements:

- CARICOM (Surinam, Santa Lucía, Antigua y Barbuda, Granada, Dominica, San Vicente y las Grandadillas, y San Cristóbal y Nieves).
- Agreement between Central American and The Korean Republic

Costa Rica is currently negotiating the following agreements:

- Pacific Alliance
- Environmental Good Agreement (EGA)
- Agreement on Trade in Services (GATS)

24) Which are Costa Rica's leading exportation products?

Medical Devices was the #1 industrial export good of Costa Rica, accounting for almost 5% of the total GDP in 2018; followed by pineapple, banana, syrups and concentrates for preparing gassed beverages, gold coffee, tires, and fruit juices and concentrates.

Rank	Product	Value in US\$ billions	%
1	Precision and Medical Equipment	3.33	29.44
2	Pineapple	0.99	8.75
3	Banana	0.98	8.67
4	Syrups and Concentrates for Preparing Gassed Beverages	0.34	3.04
5	Gold Coffee	0.31	2.72
6	Tires	0.20	1.73
7	Fruits Juices and Concentrates	0.19	1.65
8	Medicines	0.18	1.63
9	Electric Cables	0.18	1.57
10	Electric Materials	0.15	1.29
	Subtotal	6.84	60.47
	Other	4.47	39.53
	Total export of good (US\$ billion)	11.31	100.00

Source: CINDE based on data from PROCOMER, 2019.

Infrastructure

25) How many homes in Costa Rica have a personal computer?

There is at least one personal computer in 46.2% of Costa Rican households.

26) What is the penetration of mobile telecommunications networks?

According to the Superintendence of Telecommunications (SUTEL), there has been a 114% increase in subscribers during the period 2011-2017. In 2017 subscribers reached a historic level of 8,840,324, which represents an 6% growth compared to 2016, and a penetration of 179 lines per 100 inhabitants.

27) How many Internet users are there?

According to SUTEL, total subscriptions to internet networks increased by 175% from 2011 to 2017; subscriptions rose from 2,008,763 to 5,533,005 during this period. The level of penetration among the population was 43% for fixed network and 89% to mobile network in 2016, and it rose to 50% and 97% respectively, in 2017.

28) How many fixed broadband internet subscriptions are there?

According to SUTEL, the number of subscriptions to internet service in fixed networks increased by 77% between 2011 and 2017, from 419,782 to 744,041. In addition, 50% of households in Costa Rica have fixed internet access, which represents an increase of 16% compared to 2016. And the per capita penetration rate is 15% by 2017.

29) What types of Internet access are there?

Internet access is enabled through dial-up access, ISDN access (known in Costa Rica as RDSI), Internet access via cable modem, ADSL access, fiber optic networks (FTTH) and Wi-Max. The Internet can also be accessed by cellular phones and notebooks via GPRS, 3G, 4G and 4.5G networks.

Companies may request symmetric connections in a speed range from 256 Kbps to 155 Mbps, and non-symmetric connections for up to 4,096 Kbps.

30) Are there any important infrastructure projects currently under development?

Yes. There are several infrastructure projects under development. Some of them are:

Project	Estimated Cost in US\$ Million	Status
First Road Infrastructure Program (financed by the IDB)		
Interamerican Highway extension and restauration (Cañas - Limonal)	90	Under construction.
Design and Construction of an overpass in Paso Ancho in the Circunvalación Highway	13	Finished.
Pre-design of the Bernardo Soto - Sifon de San Ramon	75	Pre-design Finished.
Design and construction of the Abundancia-Florencia Highway and the Ciudad Quesada Radial	21	Finished.
Intersection Pozuelo-Intersection Jardines del Recuerdo Extension and Restauration	8.5	Finished.
Route Paquera - Playa Naranjo	33.1	Under construction.
Extension of La Angostura	8.9	Under design.
Overpass in La Lima and Taras	66	In the bidding process. It is expected to be completed in 2022.
Road Infrastructure Strategic Works Program (financed by the CABEL)		
Design and construction of the Circunvalacion Road Corridor (North)	163	Under construction.
Construction of Alfredo Gonzalez Flores Bridge	7.4	Finished.
Overpasses in Garantias Sociales Roundabout.	17.6	Under construction.
Definite access to Moin Containers Terminal from Route 32 (route 257)	72	Finished.
Virilla River Bridges in Route 32 (Tibas - Santo Domingo)	22.4	Under construction. It is expected to be completed in September 2020.
Virilla River Bridge in Route 147 (Santa Ana - Belen)	8.5	Finished.
Extension of Radial Santa Ana	8.5	In the bidding process.
Overpass in La Bandera Roundabout	21.9	In the bidding process.
Overpass in Guadalupe	20	In the bidding process. It is expected to be completed in 2020.
Electric Train in Limon	450	Undertaking feasibility stage

Project	Estimated Cost in US\$ Million	Status
National Concessions Council		
Electric Train in San Jose	1.235	Undertaking feasibility study.
San Jose - Cartago road corridor.	290	Update of demand study and contracting of road management.
Extension of San Jose – Caldera road corridor.	450	Design finished.
Container Terminal Moin.	956.5	Phase 2A finished.
Sewage treatment plant in Heredia.	134	Structuring.
Others		
Bajos de Chilamate-Vuelta de Kopper Route 4 construction	52.4	Finished.
Sifon-La Abundancia section. San Carlos highway construction	383	Under construction.
Sixaola Binational Bridge.	24.8	Under construction. It is expected to be completed by 2020.
Route Guacimal - Santa Elena de Monteverde.	12	Under construction.
Highway San José - San Ramón.	740	Awaiting start of pre-construction (1st phase).
Improvement and extension of Route 32.	530	Under construction.
Route 2 reconstruction of 6 ascent sections (overtake lines)	0.37	67% finished.
Intervention of Cantonal Road Network	144	Under construction.
Improvements in Atlantic Port, from JAPDEVA (Board of Port Administration and Economic Development of the Atlantic Coast of Costa Rica)	25	Finished.
National Center of Conventions and Congresses	35	Finished.
Los Tajos Waste Water Treatment Station and Improvements in sewage infrastructure	121	Finished.
Infrastructure improvements for The Costa Rican oil refiner (RECOPE)	289	Project under development, Strategic Plan expected to end in 2021
Route San Jose-Rio Frio	500	Under design.

Source: Costa Rica Government, Public Works and Transportation Ministry, 2019.

31) Does the Costa Rican Government guarantee funding for these projects?

Even though infrastructural projects are usually financed directly by the State, thanks to the Law of Public Works Concession, certain new projects are being financed by the private sector. The concession is a contract in which the Government awards to a third party the design, planning, financing, construction, maintenance, extension or repair of any public work: a highway, a road, an airport, etc.

The contract sets a period during which the concessionary company manages the project and obtains benefits by charging its users. loans from entities such as the IDB or CABEL are also often used to obtain the necessary financing.

32)How many airports are there? What are the flight destinations and frequency?

There are two major international airports:

- a) Juan Santamaria International Airport, located in Alajuela (10 miles from San Jose downtown): +800 weekly flights in February, 2019)
- b) Daniel Oduber International Airport, located in Liberia (90 miles from San Jose downtown): +160 weekly flights in February, 2019)

Through these airports, Costa Rica has direct connections to North America.

City	Flight Frequency	Flight Time (h:min)
Miami, FL	Daily (5 times per day)	3:00
Dallas, TX	Daily (2 times per day)	4:25
Phoenix, AZ	Daily (1 time per day)	4:50
Los Angeles, CA	Daily (2 times per day)	6:25
Atlanta, GA	Daily (4 times per day)	4:05
New York, NY	6 times per week	4:55
Orlando, FL	Daily (3 times per day)	3:05
Fort Lauderdale, FL	Daily (4 times per day)	2:45
Baltimore, MD	2 times per week	4:40
Houston, TX	Daily (2 times per day)	3:35

Newark, NJ	Daily (2 time per day)	4:55
Washington, DC	Weekly	4:35
Chicago, IL	Daily	5:15
Toronto, Canada	Daily (2 times per day)	5:20
Charlotte, NC	Daily	3:30
Montreal, QC	7 times per week	5:04
Minneapolis, MN	5 times per week	4:55
Calgary, Canada	3 times per week	6:40
Boston, MA	Weekly	4:45
Denver, CO	Daily	4:50

Source: CINDE based on data from Civil Aviation General Directorate. March 2019. **Important note:** changes in the flight frequency may occur.

There are direct flights from Costa Rica to 38 destinations every week. Also, there are 27 different airlines operating in the country.

City	Flight Frequency	Flight Time (h:min)
Madrid, Spain	Daily	10:30
Frankfurt, Germany	2 times per week	11:30
Amsterdam, Netherlands	3 times per week	11:15
London, UK	3 times per week	10:50
Paris, France	4 times per week	11:00
Zurich, Switzerland	3 times per week	11:40
Panama, Panama	Daily (8 times per day)	1:20
Tegucigalpa, Honduras	Daily	1:30
Managua, Nicaragua	Daily	1:05
Guatemala, Guatemala	Daily (2 times per day)	1:50
Lima, Peru	4 times per week	3:40
Bogota, Colombia	Daily (3 times per day)	2:15
Mexico DF, Mexico	Daily (3 times per day)	2:55
Cancun, Mexico	6 times per week	1:35
Caracas, Venezuela	2 times per week	2:20
Albrook, Panama	6 times per week	00:40
San Salvador, Salvador	43 times per week	00:55

Source: CINDE based on data from Civil Aviation General Directorate. March 2019. **Important note:** changes in the flight frequency may occur.

33) How many sea ports are there?

There are three seaports in Costa Rica. One of them is the Port of Caldera, located in the Pacific shore, ranks 36th in Latin America by volume (289,582 TEU'S). The other two are the Port of Moin and the Port of Limon located in the country's Caribbean shore, ranks 12th in Latin America by volume (1,199,628 TEU'S). Besides, in Limon the Moin Container Terminal (TCM), officially inaugurated on February, 2019 (operating since October, 2018) will be able to handle 2.5 million TEU'S on its final phase.

The distance from the Great Metropolitan Area to the Port of Limon is 153 km (95 miles) and the distance to the Port of Caldera is 78 km (48 miles).



Note: TEUS stands for twenty-foot equivalent unit.

Source: CINDE based on data from APM, CEPAL, COCATRAM and ports consultation, 2019.

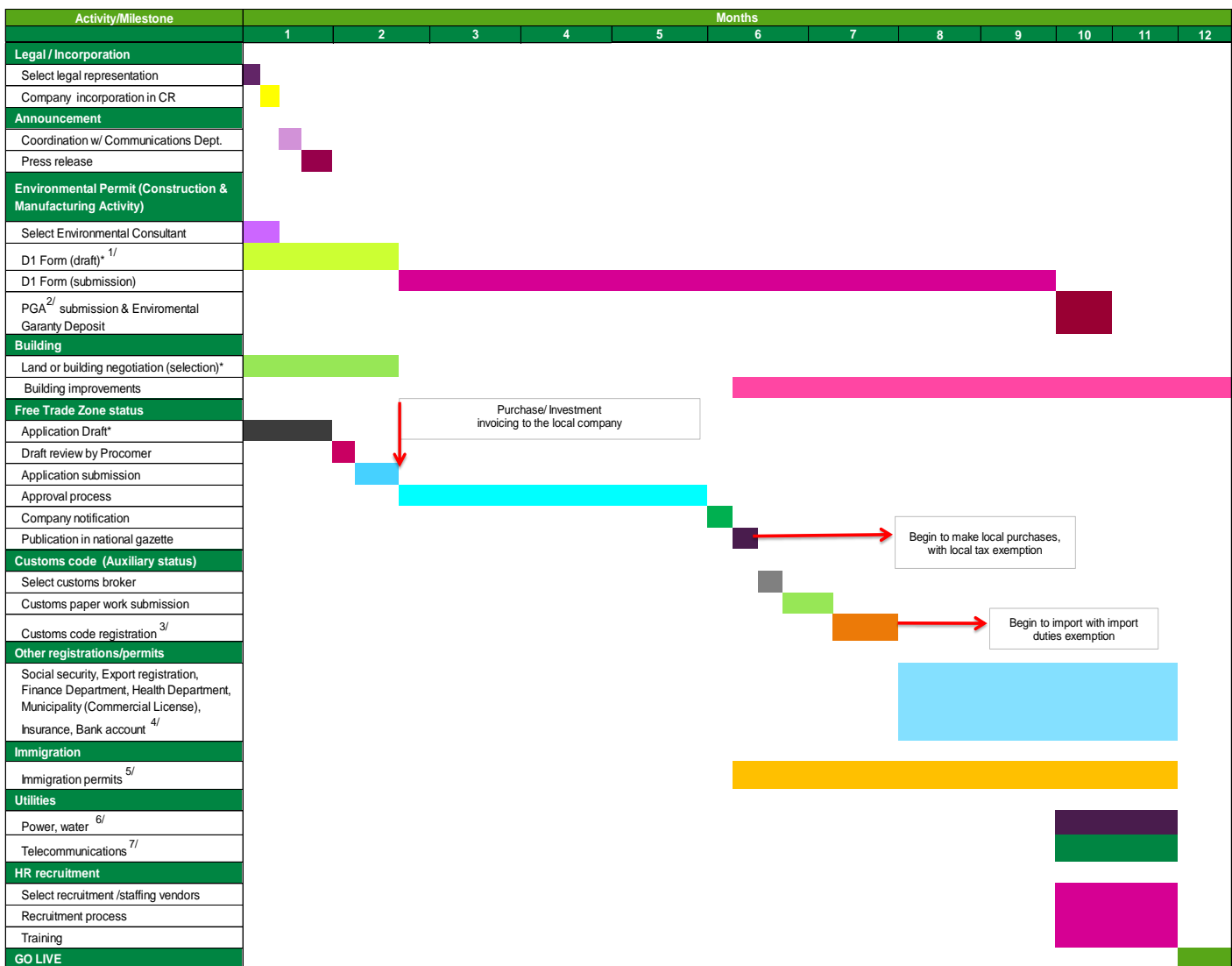
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Company Incorporation

34) What are the main steps required to install a company?

The following tables summarize the most important steps that must be followed in order to become

Establishment Process Milestones



foreign exporting company in Costa Rica. It assumes that the company requests admission to the Free Trade Zone Regime. **Manufacturing Company**

Notes: PGA: Environmental Management Program.

* The time may vary according to the company.

^{1/}: There are several types of Forms. This case corresponds to a D1 (the simplest one).

^{2/}: If the company is going to be located inside an industrial park, the park already got this Construction & land permit from SETENA, therefore the company should just request it to the owners.

^{3/}: Company will need the custom code to be able to import and exempt duties. In this case, the use or need of the code will depend on the terms of the operations contract with the client.

^{4/}: This includes the Ministry of Health and National Insurance Institution (INS).

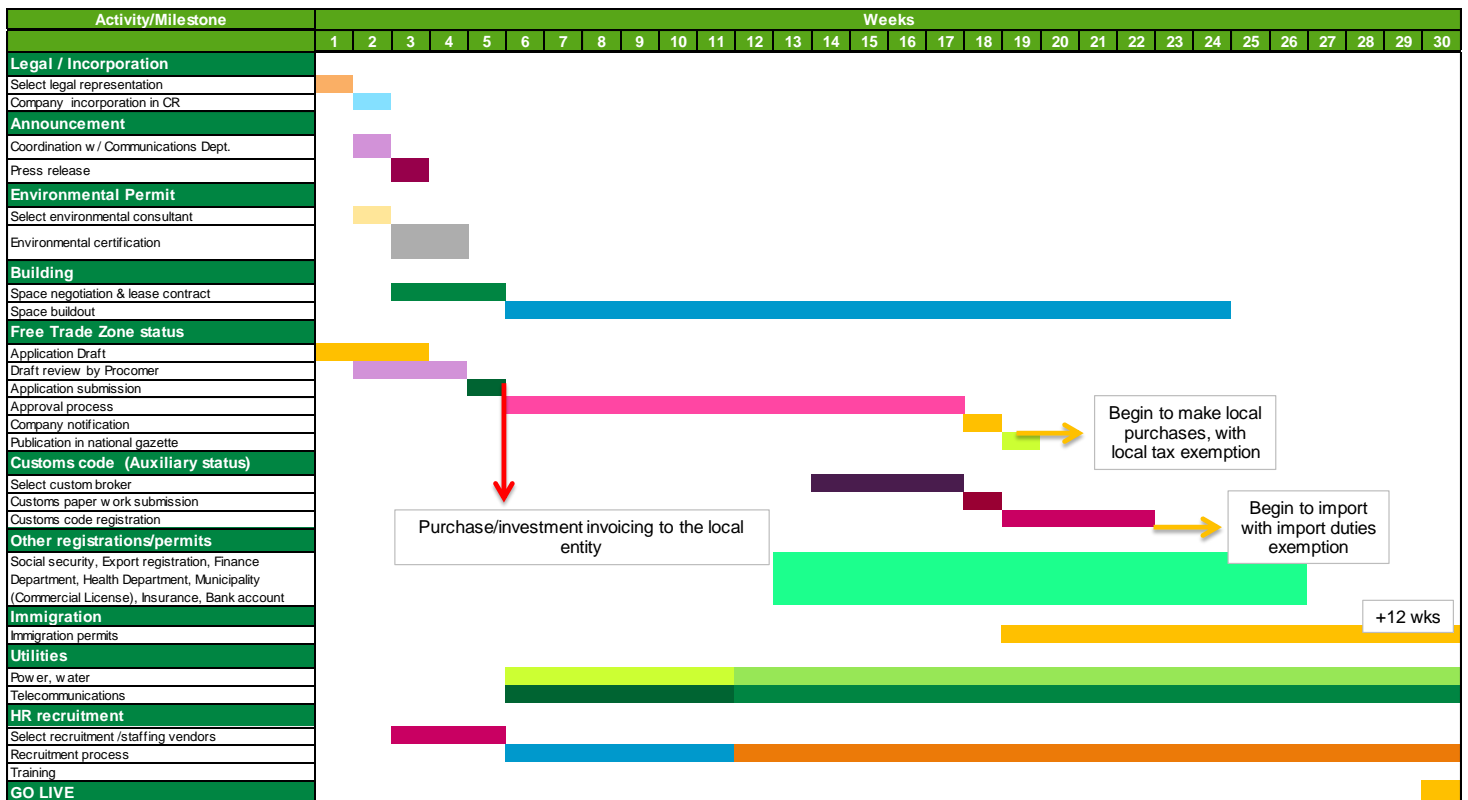
^{5/}: Company should consider registering the legal entity with the Immigration Department, to take advantage of the fast track procedures for visas and temporary residency of expected relocated staff.

^{6/}: Will be provided by the Free Zone Park Developer or depending on the negotiation with client to share utilities.

^{7/}: Company must sign contracts with local telecom providers. In this case it also will depend on the negotiation terms with client.

Services Company

Establishment Process Milestones



35) How long does it take to incorporate a company?

The Costa Rican government has been working to decrease the time it takes to incorporate a company in the country. Through the platform “Crea Empresa” of the Digital Government entity, it takes approximately 1 week to incorporate a company in Costa Rica; for the Free Trade Zone Regime incorporation, it takes an additional 4-6 weeks.

36) What types of companies are there in Costa Rica?

The Costa Rican Code of Commerce rules the organization of the different companies and their commercial activities. The main differences among commercial organizations are found according to their registration procedures and the financial liability of the parties involved.

- Limited Liability Company (“Sociedad de Responsabilidad Limitada” or “S.R.L.” in Spanish): The liability of the partners is limited to the proportion of their capital contributions. A minimum of two partners are required (physical individuals or business entities) to initiate its incorporation. Its legal standing is not altered if a single partner, subsequently, becomes the sole owner of the capital contribution.
- Corporation (“Sociedad Anonima” or “S.A.” in Spanish): It is equivalent to a Corporation as usually defined in the United States. It is the most widely used corporate structure when organizing businesses in Costa Rica. A “Sociedad Anonima” may be formed by other business entities or individuals, or a mix thereof, and may be eventually owned by one single individual or another business entity. In such event, the corporation’s legal status is not altered in any way.

Land Property

37) Can foreigner own property in Costa Rica? Under what circumstances?

The Political Constitution protects private property, and foreigners enjoy the same rights as Costa Ricans regarding real state acquisition and ownership. To become a property owner, citizenship, resident status or permanence information is not required. Foreigners have no limits to property handling, and they can conduct business activities **freely**.

Free capital movement, no foreign exchange controls.

The General Directorate of Immigration has a fast-track system that facilitates procedures for companies to hire expats (it applies for the worker and their direct family).

There are no restrictions on the number of expats allowed to be hired in a company.

38) What is the purchase procedure?

The typical negotiation to purchasing real estate starts by executing a purchase option and payment of a guarantee deposit that may be managed by a third party during an agreed amount of time.

During this period the buyer should verify the legal status and standing of the property. This research is carried out by an attorney.

The property is transferred by means of the execution of a sale and purchase agreement that must be notarized by a Public Notary and register in the Real Estate Property Registry.

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Intellectual Property

39) How does Costa Rica protect Intellectual Property?

IPR protection is guaranteed by the Political Constitution and is considered a priority for the Costa Rican Government. Its enforcement is assured by civil, administrative, and criminal proceedings.

The existing legislation embraces the protection of:

- Copyrights
- Trade Marks
- Encrypted Program-Carrying Satellite Signals
- Industrial Designs
- Patents
- Geographical Indications

In addition, CAFTA-DR (Dominican Republic-Central America Free Trade Agreement with the United States) contains a chapter on Intellectual Property Rights that further regulates and enhances current IPR legislation.

The three most important areas covered by CAFTA regarding IP protection are: the adjustment of patent terms, the exclusive use of undisclosed data, and the accession to the UPOV Convention (International Convention for the Protection of New Varieties of Plants).

Furthermore, CAFTA forces the signing parts to ratify the following international agreements:

- The WIPO Treaty on Copyright
- The Treaty of the WIPO on Phonograms
- The Treaty of Cooperation on Patents, its revision and amendment
- The Budapest Treaty on the Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedures
- The Convention on the Distribution of Satellite Signals Carrying Programs

- The Singapore Treaty on the Law of Trademarks
- The International Convention for the Protection of New Varieties of Plants (1991) (UPOV Convention 1991)
- The Treaty on the Law of Patents (2000)
- The Hague Agreement concerning the International Deposit of Industrial Designs (1999)
- The Protocol to the Madrid Agreement on International Registration of Trademarks

Most of the mentioned agreements were ratified by Costa Rica prior to CAFTA-DR enactment. The few remaining ones were approved after CAFTA-DR.

Costa Rica ranks 2nd in Latin America in the International Property Rights Index (IPRI) 2018.



Source: World Economic Forum, Global Competitiveness Report 2018; "Property Rights Alliance" 2018

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40) Does Costa Rica have regulations for data treatment?

Yes. In Costa Rica, the procedure of data treatment must follow the regulations established by the 8968 Law, since the official publication in the National Gazette on September 05, 2011.

Costa Rica's Law of Personal Data Protection meets the requirements of the European Union, and in some cases considers additional regulations that must be followed in any procedure of data treatment. The European Union has widely covered the data protection treatment and its regulations are considered international references. Both regulations include:

- explicit consent for the utilization of data
- data must be used solely for the purpose for which it was compiled
- data must be exact and up to date
- no obligation to provide sensitive data (such as: ethnic, political views, religion)

Costa Rica and the European Union agree on IPR protection through the EU-Central America Association Agreement of December 2012.

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Taxes

41) Is Costa Rica listed by the OECD as a jurisdiction that has substantially implemented the internationally agreed tax standard?

Yes. In order to fulfill the OECD's internationally agreed tax standard, Costa Rica has already approved agreements with the following countries:

Tax Information Exchange Agreements (TIEAs)	
Country	Status
Argentina	Law N° 9007. Approved and in force.
Australia	Law N° 9075. Approved and in force.
Canada	Law N° 9045. Approved and in force.
Denmark	Law N° 9202. Approved and in force.
Ecuador	Law N° 9370. Approved and in force.
Faroe Islands	Law N° 9198. Approved and in the process of exchanging notes.
Finland	Law N° 9197. Approved and in force.
France	Law N° 9012. Approved and in force.
Greenland	Law N° 9200. Approved and in force.
Guernesey	Law N° 9551. Approved and in force.
Netherlands	Law N° 9040. Approved and in force.
Iceland	Law N° 9196. Approved and in the process of exchanging notes.
Italy	Law N° 9664. Approved and in the process of exchanging notes.
Mexico	Law N° 9033. Approved and in force.
Norway	Law N° 9201. Approved and in force.
South Africa	Law N° 9413. Approved and in force.
South Korea	Law N° 9611. Approved and in force.
USA	Exp. 20,889. Bill in ratification process.
CAAM	Law N° 9118. Approved and in force.

Note: CAAM: Convention on Mutual Administrative Assistance in Tax Matters, signed by States members of European Council and OECD countries

Source: Ministry of Treasury March, 2019.

Central American Convention on Cooperation and Customs Tax	
Country	Status
El Salvador	Law N° 8880. Approved and in force.
Guatemala	Law N° 8880. Approved and in force.
Honduras	Law N° 8880. Approved and in force.
Nicaragua	Law N° 8880. Approved and in force.

Source: Ministry of Treasury. March, 2019.

Agreement for the Avoidance of Double Taxation (DTA)	
Country	Status
Germany	Law N° 9345. Approved and in force.
Mexico	Law N° 9644. Approved and in force.
Spain	Law N° 8888. Approved and in force.
United Arab Emirates	Exp. 20,779. Bill in process of ratification.

Source: Ministry of Treasury. March, 2019.

In addition, Costa Rica is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes. In this sense, the Government has approved a Fiscal Transparency Law and the Law to Improve the Fight against Fiscal Fraud.

42) What are the main ideas covered by the Fiscal Transparency Law and the Strengthening Tax Management Law?

In Costa Rica, the procedure of paying taxes must follow important regulations. To reinforce this, the Fiscal Transparency Law N° 9068 and the Strengthening Tax Management Law N° 9069 are in force since the official publication in the National Gazette on September 28, 2012.

The first one applies important reforms to Law N° 4755, The Tax Rules and Procedures Code, and Law N° 3284 (Trade Code) in order to enhance fiscal transparency and fulfill international standards.

Some other important regulations are:

- It is mandatory to provide to the tax authorities relevant information for tax purposes.
- The country will be able to exchange banking information that was previously difficult to share with other jurisdictions through information exchange agreements. So that Costa Rica becomes part of the global network to avoid international tax evasion and avoidance.
- The lifting of bank secrecy is changed for audit purposes on the taxpayers.
- The legal entities that close their businesses must keep accounting records and correspondence for five years, starting from the date the company goes into liquidation.

Similarly, the Strengthening Tax Management Law allows the creation of a set of rules that facilitate better and faster collection of taxes on individuals and empowers government in evasion fighting.

On the other hand, in 2016, the Law to Improve the Fight against Tax Fraud N° 9416 was approved and in force, which allows Costa Rica and the Ministry of Treasury using new tools to attack evasion in sensitive areas. The main changes introduced are:

- Creation of a centralized registry of final beneficiaries.
- Endows the Tax Administration with more expeditious mechanisms collect of taxes and allows the assurance of goods and assets that support the eventual payment of taxes, interests and possible sanctions if proceeds.
- Promotes electronic payment ways.
- Includes sanctions for tax advisors for actions taken to help taxpayers in tax avoidance or evasion.

Source: Presidency of Costa Rica, 2018

43)How does income tax work?

Income tax in Costa Rica is a territorial tax, it is applied to individuals as well as legal entities (i.e. corporations), for income originated from a Costa Rican source only. Costa Rican Laws do not tax income derived from a foreign source.

According to the local legislation, the following are subject to income taxation:

- All legally constituted entities, regardless of whether or not they carry out a lucrative activity, de facto companies, professional companies, state enterprises, collective entities without legal personality, and participation accounts that exist in the country.
- Permanent establishments: any fixed place or place of business in which the essential activity of the business of a person not domiciled in Costa Rica is carried out, in whole or in part.
- Trusts.
- Inheritances (while remains indivisible).
- Individuals residing in Costa Rica regardless of nationality.
- Individuals hired in a professional occupation.
- Physical and legal entities not specifically mentioned and engaged in profit making activities in Costa Rica.

44)What is the taxable income?

Taxable income is based upon net income. This is calculated as the gross income after deductions.

Costa Rican Laws define gross income as the total income and profits earned in the country during the taxable year (begins on January 1st and ends on December 31th). These include earnings from real property, investment of capital and other business activities. It also contemplates any increase in net worth during the taxable year, which cannot be justified by declared or registered income.

Excluded from the gross income are the following:

- Donations in cash or kind.
- Revaluation of fixed assets (except depreciable fixed assets, though depreciation allowances may be considered if approved by the tax administration).
- Profits, dividends, and any other form of distribution of benefits credited to the taxpayer.
- Income derived from contracts or agreements made on goods or capital located abroad, even for contracts negotiated in Costa Rica.
- Capital gains taxed, income from capital and capital gains and losses, except those derived from property or rights affected to the activity of the taxpayer or when they constitute a habitual activity; in which case, they must be taxed in accordance with the Income Tax. Capital gains obtained by merchant companies who develop a lucrative activity by virtue of the alienation

of shares and other equity securities of any kind subject to its own profitable activity, in the part corresponding to undistributed utilities, will be exempt.

For the purposes of the law, a habitual activity is understood as the activity to which a person or company is engaged in a commercial manner, publicly and continuously or frequent.

- Inheritances, legacies, community property.
- Prizes from national lotteries.
- Approved charitable donations.
- The distribution of dividends when the partner is another capital company domiciled in Costa Rica, as the latter develops an activity economic and is subject to this tax.

45) Which deductions may be made from gross income in Costa Rica?

The following items are deductible from income:

- **Costs:** Any spend, necessary to produce the income may be deducted (i.e. raw materials, parts, components, or services needed to produce the goods or services).
- **Salaries:** Wages, bonuses, gifts or paid benefits are deductible, as long as the income tax of the recipient has been withheld and paid to the Treasury.
- **Taxes:** Any taxes levied against the goods, services or transactions carried out in the ordinary course of business.
- **Insurance Premiums:** Insurance Premiums for policies which cover fire, theft, earthquake, or similar risks.
- **Interest:** No deduction allowed for interests payable to shareholders of limited liability companies. Interest will not be deductible when the corresponding tax has not been withheld.
- **Exchange differences:** All those arising from foreign currency debts, invested in taxable income generating activities.
- **Bad Debts:** If related to the transactions in the ordinary course of business of the taxpayer and all legal efforts have been exhausted to collect the debt.
- **Depreciation:** Applies to the exhaustion, wear and tear, or obsolescence of property used in trade or business. Depreciation rates cannot be higher than those prescribed by law, unless it is authorized by the tax administration. Companies can choose either the straight-line or the

sum-of-digits methods of depreciation, though, once chosen, the method must be used consistently. Accelerated depreciation is allowed in certain cases.

- **Business Losses:** Deductions are allowed for business losses. Losses incurred in one taxable year may be carried over for 3 years (5 years for agricultural enterprises).
- **Social Security Contributions:** Contributions established by law and paid to the employees are deductible.
- **Board of Directors' Remuneration:** Deductions are allowed for remuneration, wages, commissions, and honoraria paid to members of the board of directors located abroad.
- **Payments to entities not domiciled in Costa Rica:** Payments for technical or financial support, and for the use of patents, trademarks, franchise fees, or royalties, are deductible. If payments are made to an agent or subsidiary of a firm which is permanently established in Costa Rica, then the deduction cannot exceed 10% of the annual gross sales of that company.
- **Travel Expenses:** These may not exceed 1% of the gross income declared.
- **Start-up Expenses:** Deductions are allowed for expenses necessary to initiate production of taxable income.
- **Advertising:** Advertising and sale promotion expenses inside Costa Rica or abroad are deductible.
- **Casualty losses:** Casualty and theft losses which are not covered by insurance.
- **Gifts made to the State:** The deduction may not exceed ten percent (10%) of the calculated net income of the donor contributor without taking into account the donation. For the purposes of this deduction, donations in kind will be valued at their market value.
- In the case of financial entities, the sums to constitute estimates, reserves or provisions authorized by the supervisory bodies. The superintendencies and the National Council of Supervision of the System Financial (Conassif) should consult with the Ministry of Finance the regulation that is issued that has tax incidence.

46) What is the personal income tax rate, and how does it work?

The personal income tax applies to people in the following two categories:

- People whose income consists of a fixed salary or other remuneration.
- People with profit generating activities.

All people working in Costa Rica must pay an income tax rate of 10% or 15%, based on monthly salary. For fiscal year 2019, personal income rate and ranges are the following:

Salary	Tax
Salary up to ₡817,000 (US\$1,416)	Exempt
In excess of ₡817,000 (US\$1,416) and up to ₡1,226,000 (US\$2,125)	10%
In excess of ₡1,226,000 (US\$2,125)	15%

Source: Ministry of Treasury. October, 2018 (in force)

Note: Exchange rate US\$ 1 = ₡577.0 colones.

On the other hand, for individuals with profit generating activities, the following rates are applied to taxable annual profits:

Annual Profits	Tax
Profits up to ₡3,628,000 (US\$6,288)	Exempt
In excess of ₡3,628,000 (US\$6,288) and up to ₡5,418,000 (US\$9,390)	10%
In excess of ₡5,418,000 (US\$9,390) and up to ₡9,038,000 (US\$15,664)	15%
In excess of ₡9,038,000 (US\$15,664) and up to ₡18,113,000 (US\$31,392)	20%
In excess of ₡18,113,000 (US\$31,392)	25%

Source: Ministry of Treasury. October, 2018. (in force)

Note: Exchange rate US\$ 1 = ₡577.0 colones

47) What is the corporate income tax rate and how does it work?

For legal entities, the following tax table prevails:

Gross Income	Tax
Up to ₡54,303,000 (US\$94,113)	10%
Up to ₡109,228,000 (US\$189,407)	20%
Above ₡109,228,000 (US\$189,407)	30%

Source: Ministry of Treasury. October, 2018. (in force)

Note: Exchange rate US\$ 1 = ₡577.0 colones

Any industrial corporation is allowed to make deductions from their annual gross income according to deductible items above listed.

48) Are there any taxes on corporate assets?

No. There are not any taxes on corporate assets.

49) What is the tax on capital?

The tax on capital is also known as the “Education and Culture Tax”. Every legal entity (corporation), as well as its subsidiaries, or agencies of a foreign company, which are duly recorded in the Costa Rican Mercantile Registry, must pay an annual tax based on its net capital or equity (assets less liabilities), according to the following table:

Net Capital	Flat tariff	
	₡	US\$
Profits up to ₡250,000 (US\$433)	750	1.3
In excess of ₡250,000 (US\$433) and up to ₡1,000,000 (US\$1,733)	3,000	5.2
In excess of ₡1,000,000 (US\$1,733) and up to ₡2,000,000 (US\$3,466)	6,000	10.4
In excess of ₡2,000,000 (US\$3,466)	9,000	15.6

Source: Ministry of Treasury, 2019.

Note: Exchange rate US\$ 1 = ₡577.0 colones.

50) What is the property tax (land) in Costa Rica, and how does it work?

The property tax is established on an annual basis it is collected by each canton's Local Government and may be paid annually, by semester or by quarter depending on the procedures established by each one. Currently, the property tax payment is 0.25% of the appraised value of the property.

51) What is the property transfer tax (land), and how does it work?

There is a 1.5% property transfer tax. This tax is based upon the registered value placed on the property transfer deed at the time of sale.

52) What is the sales tax?

The sales tax is currently 13% and it is calculated over the sales price of all products (with certain exceptions) and some specific services (such as restaurants, bars, hotels, telephone, and real estate services among others).

With the introduction of the Law on Strengthening Public Finances (N° 9635), the current sales tax will be replaced with a value-added tax (VAT). The tax rate will remain at 13% and the VAT will tax some goods and services that have previously been excluded.

53) Which taxes are exempted under the Free Trade Zone Regime?

Costa Rica taxes/others	Statutory	Free Trade Zone Regime Law N° 7210, Law N° 8794, and in its Bylaws.
Corporate income tax	30%	Free Zone holiday for full / partial income tax exemption for 8 / 4 years ^{a/} with the possibility of renewing this exemption period multiple times upon reinvestment. Applies for the activity approved by the executive agreement.
Custom duties on imports/exports	Varies depending on product	100% exemption
Sales tax	13%	100% exemption on local purchase of goods/services
Stamp duty	1%	100% exemption
Property transfer tax	1.5%	100% exemption for a 10 year period
Withholding tax on royalties, fees	up to 25%	100% exemption
Limitation on expats in country	None	
Tax on expats	All Costa Rican residents and non-residents working within the Costa Rican Territory under a labor relationship are subject to withholdings and social security contributions. Personal income tax goes up to 15%.	
Job creation and training grants	Free customized technical training available through INA	

Notes:

^{a/}: Manufacturing Sector:

If the company establishes its operation in a less developed area the full / partial income tax exemption period increases to 12 / 6 years with the possibility of renewing this exemption period multiple times upon reinvestment.

Minimum level of employment (100 workers) and minimum required investment (US\$10,000,000) to be completed in 8 years.

Services Sector:

Minimum required investment in fixed assets: US\$150,000 (inside free trade industrial park) and US\$2,000,000 (outside free trade industrial park) to be completed in 36 months. Required investment in less developed areas decreases to US\$100,000 and US\$500,000 respectively.

At least 50% of services must be exported.

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Investment Incentives

54) What incentives does Costa Rica offer to investors?

The Free Zone Regime is the mainstay of Costa Rica's export and investment promotion strategy. The Free Zone Regime is a set of incentives and benefits granted by the Costa Rican government for companies making new investments in the country, as stated in the Free Zone Regime Law N° 7210, Law N° 8794, and in its Bylaws.

Law N° 7210 is in force since November 23rd, 1990. It regulates Free Zone Regime incentives. Law N° 8794 is in force since January 22nd, 2010. It is an amendment to Law N° 7210, which adds classification (f) for manufacturing firms, as shown further in this chapter.

Free Zones are primary areas for offshore tax and customs operations. They are restricted zones with no resident population, authorized to serve as such by the Government's Executive Branch. These facilities are intended to accommodate operations engaging in input and raw material imports, manufacturing and assembly or marketing of export goods, and provision of export-related services.

55) What type of companies can apply for the Free Trade Zone incentives?

The following companies may apply for the Free Trade Zone incentives:

- Export processing industries engaged in processing or assembling raw materials to produce export / re-export finished goods.
- Export trade companies (not producers) engaged in handling, repacking, or redistributing non-traditional export / re-export products and merchandise.
- Service industries or companies exporting to natural or artificial people abroad or serving to Free Zone companies, if these services are directly linked to those companies' production processes. Banking, financial, or insurance companies and independent professional services inside Free Trade Zones will not be allowed to benefit from the Regime.
- Park-managing companies engaging in installing companies under the Free Zone Regime and to park management and maintenance.

- Companies or organizations engaged in scientific research to enhance technology levels of industry or agribusiness activities and Costa Rica's foreign trade.
- Companies operating shipyards and dry docks to build, repair, or service ships.
- Manufacturing firms which can export or not (minimum export level is not required).

56) What are the requirements to enjoy the Free Trade Zone incentives?

Basic requirements to join the Regime include new initial investment on fixed assets of at least US\$150,000 for companies inside a Free Zone Park, and US\$2,000,000 for companies installed outside a Park. In the case of services companies, at least 50% of the services must be exported.

Manufacturing firms may be registered under classification (f).

- Classification (f) refers to manufacturing firms which can export or not (minimum export level is not required).

The requirements under classification (f) are:

Main requirements ^{a/}	(f) Manufacturing firms under Law N° 8794	
	Small and mid-scale projects	Large scale projects
Minimum export level	Not required	Not required
Belong to a strategic sector ^{b/}	Yes	Yes
Minimum employment level	Not required	100
Minimum required investment	US\$150,000 ^{c/}	US\$10,000,000 ^{d/}

Notes: Other administrative requirements to be fulfilled (international mobility of investment, not a taxpayer in Costa Rica).

^{a/}: For projects in the Great Metropolitan Area (GAM).

^{b/}: For example: Advanced Manufacturing and Life Sciences projects. R&D activities, innovation projects.

^{c/}: US\$150,000 in fixed assets within FZ Park or US\$2,000,000 outside FZ Park.

^{d/}: Investment in depreciable fixed assets (land is not included). Company must comply with an investment plan to be accomplished between 1 and 8 years; which could be reached at any time during the 8-year period. Upon completion, PROCOMER will verify the \$10MM investment in fixed assets according to its value in books for the current fiscal year. Additionally, once the company has complied with the investment plan, the company must maintain the fixed assets which were part of the plan. Substitution of the fixed assets is permitted only if the new depreciable assets have the same value in books as the fixed asset to be replaced when the investment plan was completed.

57) What are the income tax incentives of the Free Trade Zone Regime?

The companies operating under the Free Zone Regime shall enjoy the following income tax incentives:

Income Tax Incentives	Period of Time	(f) Law N° 8794	
		Small and mid-scale projects ^{a/}	Large scale projects ^{a/}
Income tax (Statutory income tax = 30%)	8 years	6%	0%
	4 years	15%	15%
Income tax deferral ^{b/}	No limit	Not available	Up to 10 years

Notes:

^{a/}: Additional 8-year renewal may be granted upon reinvestment (Article 20 bis).

^{b/}: *Tax deferral*: companies can defer income tax payments until headquarters receive dividends from Costa Rican operation or for 10 years (whichever comes first).

58) What are other benefits of the Free Trade Zone Regime?

The following are incentives given to all companies admitted in the FTZ regime, regardless on the classification they apply for:

Other Incentives	Period of Time	(f) Law N° 8794	
		Small and mid-scale projects	Large scale projects
Import duties	No limit	100% exemption	100% exemption
Excise taxes	No limit	100% exemption	100% exemption
Remittances repatriation tax	No limit	100% exemption	100% exemption

59) Are there customs benefits?

Yes. Companies installed under the Free Trade Zone regime do not pay any customs tariff, regardless of the country from which the import is being made or the products that are being imported.

60) When and how do investors apply for incentives?

The application for receiving incentives is to be submitted to the Costa Rican Foreign Trade Corporation: PROCOMER, prior to the beginning of operations. The procedure is usually carried out by an attorney.

61) Are there any training incentives?

Yes. In addition to the tax exemptions provided by the Free Zone Regime, the Government offers a relevant incentive to companies, through an education / training cost subsidy.

INA, the National Training Institute, is a public institution that provides free technical training to develop the country's human capital in specific areas of specialization and with the required quality and competitiveness.

The Institute provides training nationwide and related to all productive sectors. For example: English courses for Levels A1 (basic skills) to C1 (fully bilingual), Electronics, Telematics and Microelectronics, Electricity, Refrigeration, Metal Construction, Bodywork, Industrial Maintenance Mechanics, Precision Mechanics, Casting of Metal Alloys, among others.

62) Are there larger incentives based upon other criteria?

Yes. For example, a company installed outside of the Great Metropolitan Area (GMA) enjoys additional incentives. For companies that consider this as an option, the requirements are:

Main requirements	(f) Manufacturing firms under Law N° 8794		
	Small scale projects	Mid-scale projects	Large projects
Minimum export level	Not required	Not required	Not required
Belong to a strategic sector ^{a/}	Not required	Yes	Not required
Minimum employment level	Not required	100	100
Minimum required investment ^{b/}	US\$100,000	US\$100,000	US\$10,000,000 ^{c/}

Notes: Other administrative requirements to be fulfilled (international mobility of investment, not a taxpayer in Costa Rica).

^{a/}: For example, Advanced Manufacturing and Life Sciences projects, R&D activities, innovation projects.

^{b/}: US\$100,000 in fixed assets within FZ Park or US\$500,000 outside FZ Park.

^{c/}: Investment in net of depreciation fixed assets (land is not included). Company must comply with an investment plan to be accomplished between 1 and 8 years; which could be reached at any time during the 8-year period. Upon completion, PROCOMER will verify the \$10MM investment in fixed assets according to its value in books for the current fiscal year. Additionally, once the company has complied with the investment plan, the company must maintain the fixed assets, which were part of the plan. Substitution of the fixed assets is permitted only if the new depreciable assets have the same value in books as the fixed asset to be replaced when the plan was completed.

The income tax incentives for these cases of classification “f”, for companies outside of GMA are:

Income Tax Incentives	Period of time	(f) Law N° 8794	
		Small scale projects ^{a/}	Mid / large scale projects ^{a/}
Income tax (Statutory income tax = 30%)	6 years	0%	0%
	6 years	5%	0%
	6 years	15%	15%
Income tax deferral	No limit	Up to 10 years	Up to 10 years

Note: ^{a/}: Additional 8-year renewal may be granted if significant reinvestment is made (Article 20 bis).

Other incentives beneficiary companies enjoy are:

Other Incentives	Period of time	(f) Law N° 8794	
		Small scale projects	Mid / large scale projects
Import duties	No limit	100% exemption	100% exemption
Export and excise taxes	No limit	100% exemption	100% exemption
Remittances repatriation tax	No limit	100% exemption	100% exemption

63) Are there any incentives provided to companies that supply FTZ beneficiaries?

Yes. A company may enjoy certain incentives if it is a significant supplier of FTZ companies.

In this case, the requirements are:

Main requirements	(f) Significant Supplier under Law N° 8794	
	GMA ^{a/}	Outside GMA
Minimum export level	Not required	Not required
Belong to a strategic sector ^{b/}	Not required	Not required
Minimum employment level	Not required	Not required
Minimum required investment	US\$150,000 ^{c/}	US\$100,000 ^{d/}
Minimum sales level to companies established in FTZ	40%	40%

Notes:

^{a/}: GMA: Great Metropolitan Area.

^{b/}: For example, Advanced Manufacturing and Life Sciences projects, R&D activities, Innovation projects.

^{c/}: US\$150,000 in fixed assets within FZ Park or US\$2,000,000 outside FZ Park.

^{d/}: US\$100,000 in fixed assets within FZ Park or US\$500,000 outside FZ Park.

For significant suppliers installed in the GMA, the incentives are:

Income Tax Incentives	Period of Time	(f) Law N° 8794	
		Small / mid-scale projects	Large scale projects
Income tax (Statutory income tax = 30%)	8 years ^{a/}	6%	0%
	4 years	15%	15%
Income tax deferral	No limit	Not available	Up to 10 years

Note: ^{a/}: Additional 8-year renewal may be granted upon reinvestment (Article 20 bis).

Other Incentives	Period of time	(f) Law N° 8794	
		Small / mid-scale projects	Large scale projects
Import duties	No limit	100% exemption	100% exemption
Export and excise taxes	No limit	100% exemption	100% exemption
Remittances repatriation tax	No limit	100% exemption	100% exemption

For significant suppliers installed *outside* of the GMA, the incentives are:

Income Tax Incentives	Period of Time	(f) Law N° 8794	
		Small scale projects	Mid / large scale projects
Income tax (Statutory income tax = 30%)	6 years ^{a/}	0%	0%
	6 years ^{a/}	5%	0%
	6 years	15%	15%
Income tax deferral	No limit	Up to 10 years	Up to 10 years

Note: ^{a/}: Additional 6 to 12-year renewal may be granted upon reinvestment (Article 20 bis).

Other Incentives	Period of time	(f) Law N° 8794	
		Small scale projects	Mid / large scale projects
Import duties	No limit	100% exemption	100% exemption
Export and excise taxes	No limit	100% exemption	100% exemption
Remittances repatriation tax	No limit	100% exemption	100% exemption

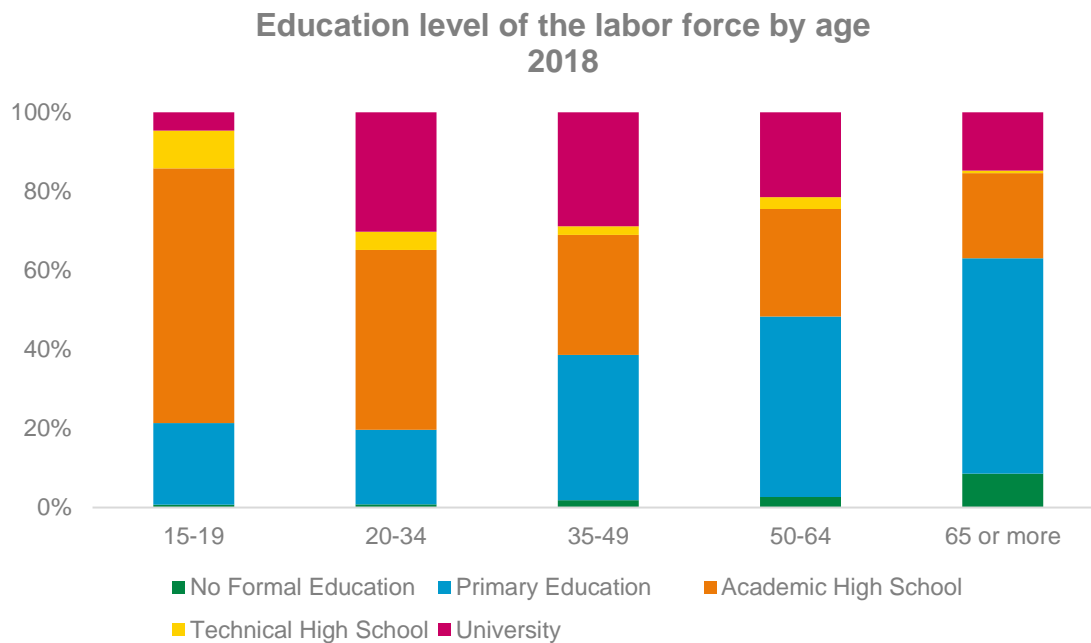
Labor Force

64) What is Costa Rica's workforce?

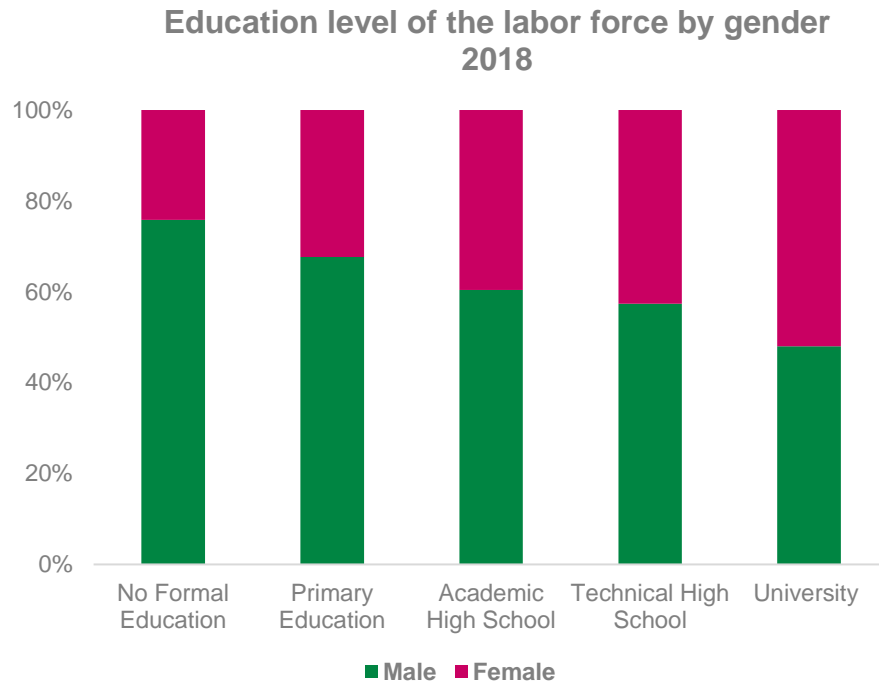
The workforce will be more than 2.4 million in 2021. Gross participation rate will increase from 46% in 2018 to 47% in 2021, according to The National Statistics Institute.

65) What are the skills and quality of the Costa Rican labor force?

The following chart presents the percentage of the workforce according to the last level of education achieved, by age and gender:



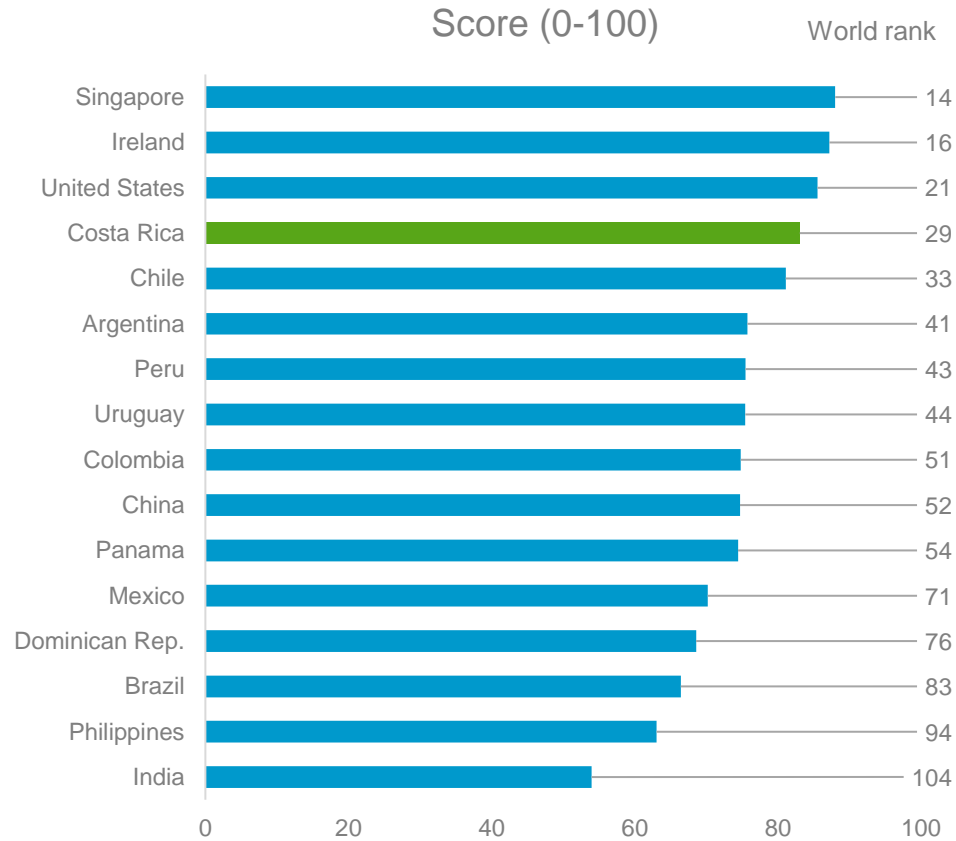
Source: CINDE based on data from National Institute of Statistics 2019.



Source: CINDE based on data from National Institute of Statistics 2019.

Costa Rica's Human Capital is ranked 29th in the world and the highest in Latin America according to the Global Competitiveness Report 2018. In this same ranking, Switzerland is first and is followed by Finland, Norway, and Iceland:

Human Capital



Source: World Economic Forum, Executive Opinion Survey. The Global Competitiveness Report 2018.

66) What percentage of the workforce speaks English?

- Approximately **13%** of the labor force speaks English.
- **33%** of the population with some level of tertiary studies speak English.

67) What is the unemployment rate?

According to the National Institute for Census and Statistics, the unemployment rate in 2018 was 8.2%. (ENAH0, 2018)

68)How are work relationships regulated?

Most of the constitutional rights included in the Costa Rican Constitution are applicable to employment as they are basic rights for all individuals.

The most important law that is applicable to employment is the Labor Code, which establishes the general rules governing all labor relationships.

Other important laws are the Law of Labor-Related Risks (N° 6727) and the Law for Worker's Protection (N° 7983), which establishes the rules for the administration of retirement plans, and the Labor Procedure Reform (N° 9343) in forced in July 2017, which reforms and modernizes the Labor Code. The most important changes under the reform impact employers on three aspects: the individual labor law governing the employer-employee relationship; the collective bargaining; and labor procedures. With respect to individual employees, the labor law reform amendments address four main areas: dismissal letters, discrimination, special protection for employees, and statute of limitations.

69)Is a company able to make additional rules other than those expressed in the laws?

Yes. In addition to currently enforceable laws, and to avoid any possible gaps therein, companies may implement their own set of rules by creating internal policies and manuals specifying certain relevant issues. These policies and manuals must be registered and approved by the Ministry of Labor. Some issues that may be included in the policies are: code of conduct, occupational health policies, appropriate use of equipment, dress code, among others.

70) Are written employment contracts required for all employees?

Yes. Except for agricultural workers, temporary workers, and workers hired for a specific task, labor agreements must be executed in writing. It is also appropriate to make sure that such agreements reflect the real terms and conditions of the labor relationship so that none of the parties may prove otherwise. The Costa Rican Constitution establishes that all labor contracts must be written in Spanish.

71) How do you terminate employment?

If an employee's dismissal is due to a justified cause, the employer will only be liable for the payment of wages, proportional vacation time and Christmas Bonus. The dismissal must be well substantiated in case the employee should file a complaint. All disciplinary actions must be taken within 30 days of the action. The following are "just causes" for ending an employer-employee relationship:

- a) Physical or moral acts or libel committed against another worker or the employer during working hours and outside working hours.
- b) Criminal acts or property damage.
- c) Acts that endanger security and working conditions, or deny following instructions, or procedures established to avoid accidents in workplace.
- d) Release of confidential information.
- e) Unjustified absence for 2 consecutive days or 3 (or more) non-consecutive days.
- f) Disobeying instructions or orders, or deny following instructions related with increasing efficacy and performance in work.
- g) If worker lies on its capabilities or present any fake document intended to mislead the employer during hiring process.

In case of dismissal without "just cause", the employer must give dismissal notice and severance payment, proportional to the total time worked by the employee.

On the other hand, some reasons justify employees to resign while retaining their right to demand severance payments. These reasons are:

- a) Nonpayment of agreed salary.
- b) Dangerous working conditions or contagious diseases in the work place.
- c) Moral or physical damage or defamation against worker by the employer or his representatives during or after working hours.
- d) Purposeful damage to worker's tools by employer.

72) Which are the employer's obligations if an employee is dismissed without a "just cause"?

The following are a set of financial obligations that the employer must fulfill if the employee is dismissed without mediating a "just cause" or if he resigns for one of the reasons stated above:

- a) **Pre Termination Notice ("pre-aviso"):** Before an employer can dismiss an employee without cause, he/she must notify the individual. Failure to do so will trigger additional obligations. Days of termination notice required, depends on the length of time that the employee has worked for that employer:
- More than three months but less than six months: one week notice of termination.
 - Six months to one year: worker must be noticed two weeks before.
 - More than one year: one month prior notice.

Instead of written notice, the employer can pay the employee a sum of money equivalent to the salary that would have been earned during the notice period. (The same is effective if the employee decides to leave voluntarily. If previous notice is not given, the same time frame will be deducted from the vacations and Christmas bonus).

- b) **Severance Pay ("Cesantia"):** If the employer dismisses an employee without just cause or if the employee quits for a cause attributable to the employer, he/she is entitled to severance pay. This payment works as a built-in unemployment compensation system. The Code states that severance pay should be calculated according to the average salary of the previous six months and in accordance to the period labored as follows:
- More than three months but less than six months: 7 days' wage.
 - Six months to one year: 14 days wage.
 - More than one year: 20 days' wage for every year labored up to a maximum of 8 worked years.
- c) **Accumulated Vacation Pay:** When an employee is dismissed, any unused vacation time must be paid. The amount is determined by multiplying the employee's daily (gross) wage by the unused vacation days.

73) Are there labor unions?

Even though a significant percentage of the public sector's employees are part of a labor union, in the private sector unions represent a very small percentage of the national labor force. By 2016, (last available) according to statistics from the Ministry of Labor and Social Security, the unionization rate in the public sector was 83.7%, while in the private sector it was 3%.

74) What is an “Asociacion Solidarista”?

An “Asociacion Solidarista” is an employer-sponsored worker’ association, in which all employees are welcome to participate voluntarily. They are headed by a board of directors elected by the employees’ assembly.

Solidarity organizations are not sector-wide bargaining instances, as American unions. There are some similarities with a 401(k) retirement plan, without the stock options.

92% of incorporated associations to “Solidarista Movement” are part of the private sector. This high level of participation is a tendency in Costa Rica. Employers are accepted as well as employees and their purpose is to avoid adversary confrontations by means of mutual support and conflict resolutions.

“Solidarista Movement” has 612 affiliated associations which means more than 300,000 associates; besides, there are around 1,476 associations affiliated to Labor Ministry, covering more than 350,000 associates in 2017.

75) What are the benefits of an “Asociacion Solidarista”?

An “Asociacion Solidarista” operates as a credit union, providing multiple benefits to the employees. They function as organizations that grant their associates some services and credit at very low interest rates for housing, education, medical expenses; cafeteria services, funeral services, laboratory exams, company doctor, dentist and others. Some courses, seminars and training are offered to its members in areas such as: human relations, human rights, training for leaders, solidarity and democratic principles, among others.

In some companies there are stores or grocery outlets where articles are purchased at wholesale price, thus at lower prices than regular super markets. Interest collected from loans and investments are distributed, at year's end, among the associates according to the amounts saved.

76) How is an “Asociacion Solidarista” financed?

The employer contributes with a portion of the severance provisions, and the employees contribute with personal savings, it must be an agreed percentage of salary between 3% to 5% but every employee can also save voluntary extra amounts.

77) What are the requirements to create an “Asociacion Solidarista”?

- At least 12 employees who agree to associate.
- To have the employer's consent.
- Employee's savings between 3% and 5% of their salary.
- Employer's contribution between 1% and 5.33% of the salary of the associated employees.
- Conduct a Constituent Assembly to elect a Board of Directors, internal auditor, the legal reserve, the name of the Association and its acronym, among others.
- Certification of the legal representative of the Association.
- To write and approve the Association's bylaws.

78) What happens with the “Asociacion Solidarista's” savings when an employee abandons the company?

The employee is entitled to all the savings made by him/her and the company during all the years he/she worked in the company and was a part of the “Asociacion Solidarista”; besides, the employer contribution to severance provision.

79) How are employer-employee relations like?

Cooperation between employer and employee is common. According to the Global Competitiveness Report 2018 (World Economic Forum), Costa Rica is ranked 23th out of 140 countries, in terms of cooperation in employment relations.

80) May companies hire expats to work in Costa Rica? Under what conditions?

Yes. An expat can have a job in Costa Rica. The General Directorate of Immigration has a fast-track system that facilitates procedures for companies to hire expats.

81) How does the fast-track system work?

Companies may request their acknowledgement before the General Directorate of Immigration to speed up immigration requests for its expatriate employees and their direct family in Costa Rica. This acknowledgement allows their residence request to be handled directly from Costa Rica and not from abroad.

Some of the benefits of the registration are:

- a) Priority for the filing of the requests
- b) Reduction of the terms and time to solve matters
- c) Reduction of requirements
- d) Residence effective term (residence cards are valid for a term of two years)

82) Is there a maximum number of expats allowed?

No. There are no restrictions.

83) What are the usual working hours and how long is a business week?

The Day Shift lasts 8 hours per day (extendable to 10); 48 hours a week and can take place between 5:00 a.m. and 7:00 p.m. It is common to find among this kind of shifts the so-called accumulative days, which gives to companies the possibility to distribute the hours of a working day (generally Saturdays) among the other 5 working days (from Monday to Friday). This is possible if the working day never lasts more than 10 hours. In this case, the work contract should state that Saturday is, for all legal effects, a working day, as it is accumulated during the week days.

The Mixed Shift takes place during both the day shift hours and the night shift hours but cannot be more than 3.5 hours during the night shift hours. The Night Shift lasts 6 hours per day and 36 a week, and can take place between 7:00 p.m. and 5:00 a.m. It cannot be extended, and its payment has to be the same as the day shift or mixed shift even though it is shorter.

Administrative workers, general managers, etc. (commonly white-collar workers) are excluded from this limitation of shifts. However, they cannot be forced to work more than 12 hours a day.

Employees have the right to enjoy at least one fixed day of absolute rest during each week or following six days of continuous work. If the employee must work during his rest day, he is entitled to double his normal pay.

Labor law allows the workday to extend beyond the statutory workday, but no more than 12 hours a day; except in very exceptional circumstances. Overtime wages are equivalent to the corresponding hourly rate plus 50%. Overtime is used in exceptional circumstances; this means that the extraordinary work day can't be used to permanently expand the regular workday.

Example in the case of Shared Services/ Back Office:

One day shift:

- Working days: 5 days per week
- Day time: 8 effective working hours + 1 lunch hour
 - 6:00 a.m. – 3:00 p.m.
 - 7:00 a.m. – 4:00 p.m.
 - 8:00 a.m. – 5:00 p.m.

- 9:00 a.m. – 6:00 p.m.
- Weekly working time: 40 hours

Compressed Workweek (CWW):

- Working days: 4 days per week
- Day time: 10 effective working hours + 1 lunch hour
 - Most common: 7:00 a.m. – 6:00 p.m.
- Weekly working time: 40 hours

Example in the case of Contact Centers:

	Day Shift	Swing shift	Night Shift
Hours per week	Max 40 h.	Max 40 h.	Max 30 h.
Schedule	Between 5:00 a.m. and 7:00 p.m.	Started between 2:00 a.m. and 5:00 a.m. or finished between 7:00 p.m. -10:30 p.m.	Between 7:00 p.m. and 5:00 a.m.
Full time (40 h.)	8 h. per day, 5 days per week	8 h. per day, 5 days per week	6 h. per day, 5 days per week
	10 h. per day, 4 days per week		
Partial time	Schedules can be adjusted depending on company and employment needs. Partial time between 4-7:30 h. daily		Schedules can be adjusted depending on company and employment needs. Partial time between 4-5:30 h. daily

- Surveyed companies pointed out that each one of these shifts may be applied depending on the process. The flexibility of applying flexible schedules allows them to have several shifts operating simultaneously, and it is not necessary to pay overtime as a regular practice.
- Companies pay overtime if two conditions are met:
 - Overtime is required during day shift or swing shift
 - The employee has already worked 40 h. during the week

Direct labor manufacturing shifts

Queries made to several high-tech manufacturing companies in February 2014 revealed that companies already operating in the country have different shifts for their manufacturing processes.

One day shift:

- Day time Monday-Friday from 6:30 a.m. to 4:00 p.m. (48 hours per week)

Two day shifts:

- Day time Monday-Friday, shift A: 6:00 a.m. to 3:30 p.m.; shift B: 3:30 p.m. to 10:00 p.m.

24/7 regular shifts:

- Shift A 6:00 a.m. to 2:00 p.m.
- Shift B 2:00 p.m. to 10:00 p.m.
- Shift C 10:00 p.m. to 6:00 a.m.

24/7 Compressed Workweek (CWW):

- Shift A from 6:00 a.m. to 6:00 p.m. (12 hours)
- Shift B from 6:00 p.m. to 6:00 a.m. (12 hours)

In a specific example of a multinational company, direct labor works 4 days and rest 3 days. The following week the schedule is inverted, and the same workers work 3 days and rest 4 days. Each worker works 14 days per month.

Shift	Calculation	Daily	Biweekly	Monthly
A	Working Hours	12	84	182.00
	Paid Hours	14	98	212.33
	Regular Working Hours	8		
	Extra hours 4 + (50% + Overtime Premium)	6		
	Total Paid Hours	14		

Shift	Calculation	Daily	Biweekly	Monthly
B	Working Hours	12	84	182.00
	Paid Hours	20	140	303.33
	Regular Working Hours	6 + (33% Night Law Premium) 8		
	Extra hours	6 + (50% Overtime Premium + 33% Night Law Premium) 12		
	Total Paid Hours	20		

84) Are there overtime restrictions?

Labor law allows work beyond the statutory workday, if it does not exceed twelve continuous hours, except in highly unusual circumstances. Overtime wages are equivalent to the corresponding hourly rate plus 50%.

Overtime is used in exceptional circumstances, this means that the extraordinary work day is not used in a manner to permanently expand the regular day work. These rules only apply to regular workers and administrative employees.

85) What are the observed holidays? Día del padre

The following table shows observed holidays in Costa Rica:

Observed holidays	
January 1 st	New Year
April 11 th	Juan Santamaria Day
Holy Thursday	Holy Week
Good Friday	Holy Week
May 1 st	Labor Day
July 25 th	Guanacaste Annexation
August 15 th	Mothers' Day
September 15 th	Independence Day
December 25 th	Christmas Day

Source: Ministry of Labor, 2019.

The country also celebrates two non-compulsory payment holidays, August 2nd (Virgen de Los Angeles Day) and October 12th (Day of Cultures). If the employee work during an observed holiday, the day must be double paid. For example, assuming that the employee's daily salary is US\$20 (monthly salary divided by 30), he must receive an extra US\$20 in his monthly pay.

86) How many mandatory holidays there are in Costa Rica?

The Costa Rican labor code states that every worker is entitled to two weeks of vacations for every fifty weeks of continuous work in the service of the same employer, regardless of the weekly working hours.

87) Which are the mandatory social contributions?

There are three mandatory social contributions: social charges, Christmas bonus, and hazard insurance, there's also a non-mandatory contribution that is recommended to add, as the severance pay. These costs are calculated as unloaded salary multipliers. For period 2015-2019:

Mandatory	Amount
Social charges ^{a/}	0.2633 x unloaded salary
Christmas bonus	0.0833 x unloaded salary
Hazard Insurance ^{b/} - average	0.0345 x unloaded salary
Total mandatory cost	0.3811 x unloaded salary

Non-mandatory, but recommended	Amount
Severance pay ^{c/} – average (accounting provision)	0.0300 x unloaded salary
Total non-mandatory cost	0.0300 x unloaded salary

Notes:

^{a/}: 0.2633 applies from January 2015 to December 2019.

^{b/}: Range 1.9% to 5%. Average 3.45%. Required by law.

°/: Range 1% to 5.33%. Average 3.0%. To finance a company Employer-sponsored Workers Association, severance provisions must exist. The employer contributes with a portion of the severance provisions, and the employees contribute with personal savings.

In this manner:

Total labor annual cost = unloaded salary + mandatory cost + non mandatory cost.

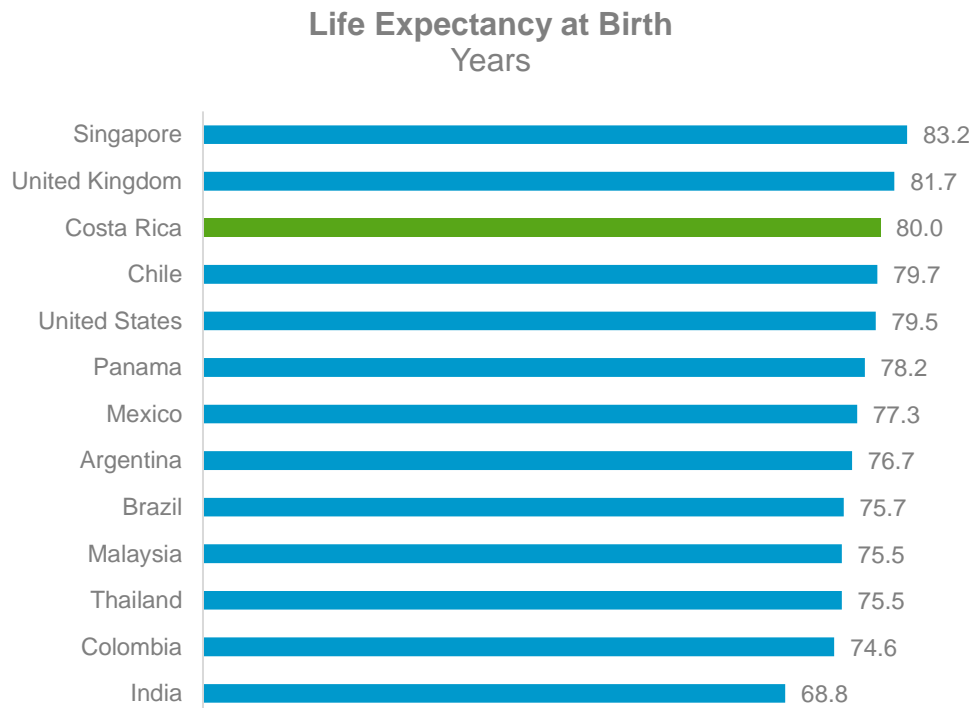
$$Total\ labor\ annual\ cost = 1 + 0.3811 + 0.03 = 1.411$$

For example, an employee has an unloaded salary of US\$831 per month = US\$9,972 annually. The total labor annual cost is US\$9,972 x 1.4111 = US\$14,071

Health and Education

88) What is the life expectancy?

In Costa Rica, the life expectancy at birth is 80 years. It is the second highest in the Americas, preceded only by Canada. Costa Rica ranks 32nd in the world.



Source: United Nations. Human Development Statistical Update, 2018.

89) How does the health system work?

The Costa Rican Social Security Administration (CCSS) is the most important organization regarding medical care in the country. It is a public autonomous institution whose aim is the provision of health services and the management of mandatory retirement funds.

The CCSS manages two main medical care insurances: the Health and Maternity Insurance, and the Disability, Old Age and Death Insurance. The financing of these funds are the social charges paid by

all affiliated workers, who are approximately 73,4% of the economically active population, equivalent to 1.74 million workers and a contributing mass of US\$ 1.69 million by the middle of 2017.

All workers (and their first-degree relatives) affiliated to the CCSS enjoy the coverage of the institution. If the affiliate requires medical treatment, or the performance of a surgical procedure, the CCSS provides it without charging the affiliate, the company the affiliate works for, or the affiliate's family.

Insurance condition	Total population	Region	
		Urban	Rural
Total	5,003,673	3,630,938	1,372,735
Direct insured ^{a/}	39.7%	43.1%	30.8%
Family of direct insured ^{b/}	33.2%	32.4%	35.1%
Insured non-contributor ^{c/}	12.0%	10.1%	17.1%
Not insured ^{d/}	15.1%	14.4%	17.0%

Source: CINDE based on data from INEC, 2019.

Notes:

a / Includes people with employee insurance, by agreement, on their own account or voluntarily, and pensioners.

b / Includes the family members of the direct insured contributors.

c / Includes insured by the State

d / Includes people with unknown insured condition

The CCSS also manages the mandatory retirement funds, although there are other private and public institutions (banks mainly) that manage the complementary retirement funds.

Data from World Bank have shown that the total expenditure on health in Costa Rica accounted for 9.9% of the GDP.

According to International Living data, Costa Rica's healthcare system is ranked among the best 6 in the world.

90) How many hospitals are there in Costa Rica?

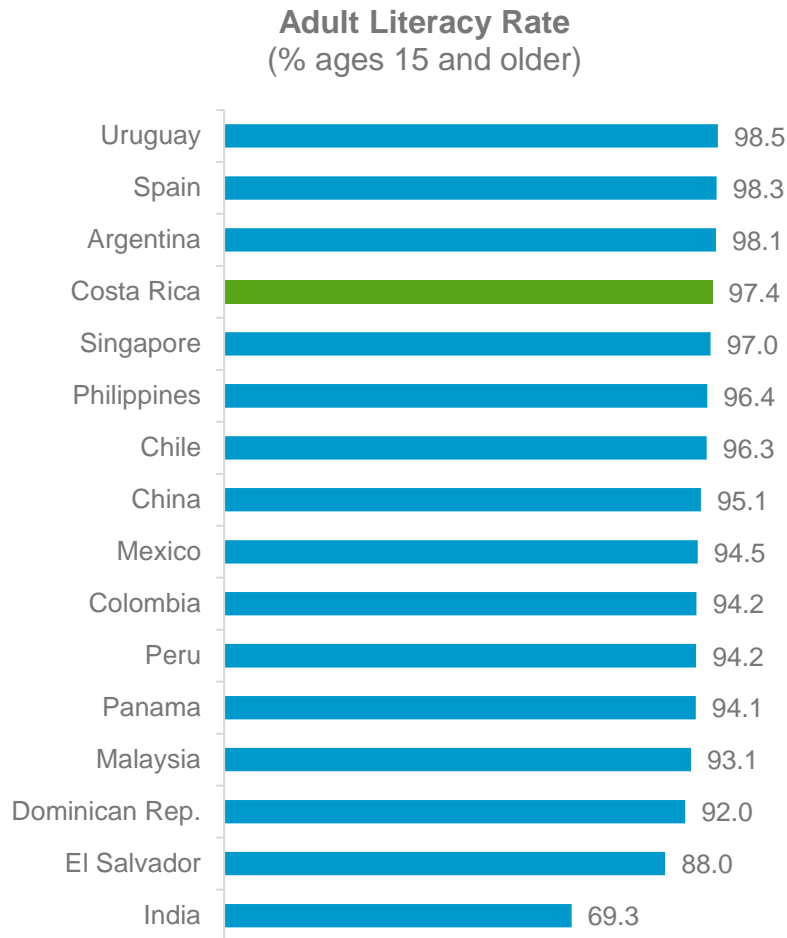
The Costa Rican Social Security Administration (CCSS) has a total of 29 hospitals, 104 clinics, one National Rehabilitation Center (CENARE), one National Pain and Palliative Care Center, a National Blood Bank, a National Center of Magnetic Resonance, a Molecular Human Genetics Laboratory, a National Cytology Laboratory, and 1,042 basic attention units (EBAIS) located all throughout the country. There are also 7 private multispecialty hospitals and clinics inside GMA: CIMA, Biblica, Catolica, Santa Rita, Metropolitano, Universal, and California. In addition, outside GMA, there is 1, San Rafael Arcangel, located at Liberia. It is important to mention that we are not considering dentistry clinics, nor plastic or ophthalmological surgery clinics.

91) What is the coverage of the Social Security System?

Approximately 77.54% of occupied workers have medical insurance through the CCSS.

92) What is the adult literacy rate? update

According to the United Nations' Human Development 2018 Statistical Update, the adult literacy rate in Costa Rica is 97.4%. It is the 3rd in Latin America.



Source: United Nations. Human Development Statistical Update, 2018.

93) How many educational institutions are there?

According to the Ministry of Public Education, in 2018 there are 8,740 institutions. This is the result of adding 3,159 preschools, 4,039 elementary schools, 3 night elementary schools, 980 high schools, and 559 special education institutions.

94) How many students are enrolled in primary and secondary traditional education?

In 2018, a total of 451,922 students were enrolled in traditional elementary schools. In the traditional secondary system, the enrollment was 366,740. The whole educational system (including preschools, special education and senior citizen education) has an enrollment of 1.049 million students. This means that more than 20% of the Costa Rican population is currently going to school.

95) How many universities are there?

There are 58 different universities, five are public universities and the remaining are private. In addition, there are five international faculties in Costa Rica.

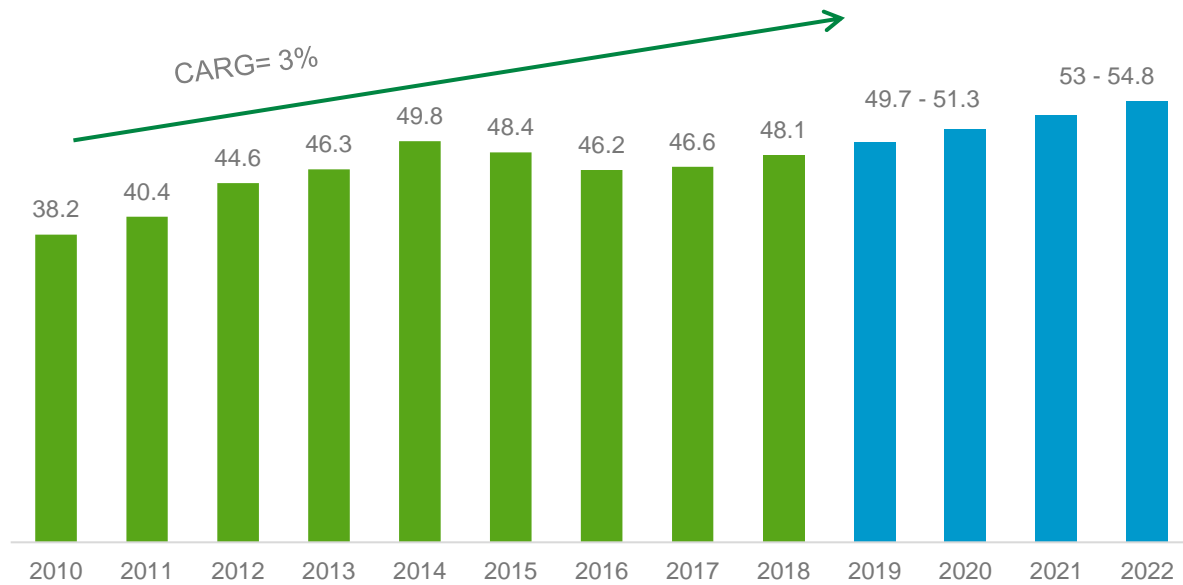
96) How many students are enrolled in these universities?

According to the National Council of Rectors (CONARE), the number of students enrolled during 2017, amounted to 221,291. Including 107,939 students who are enrolled in public universities (49%) and 113,352 students (51%) who attend private universities.

97) How many students graduate every year?

More than 40,000 students graduate every year from these universities since 2011. The number is expected to reach 50,000 promptly as compound annual growth rate has been 3% since 2011,

University Graduates (Thousands)

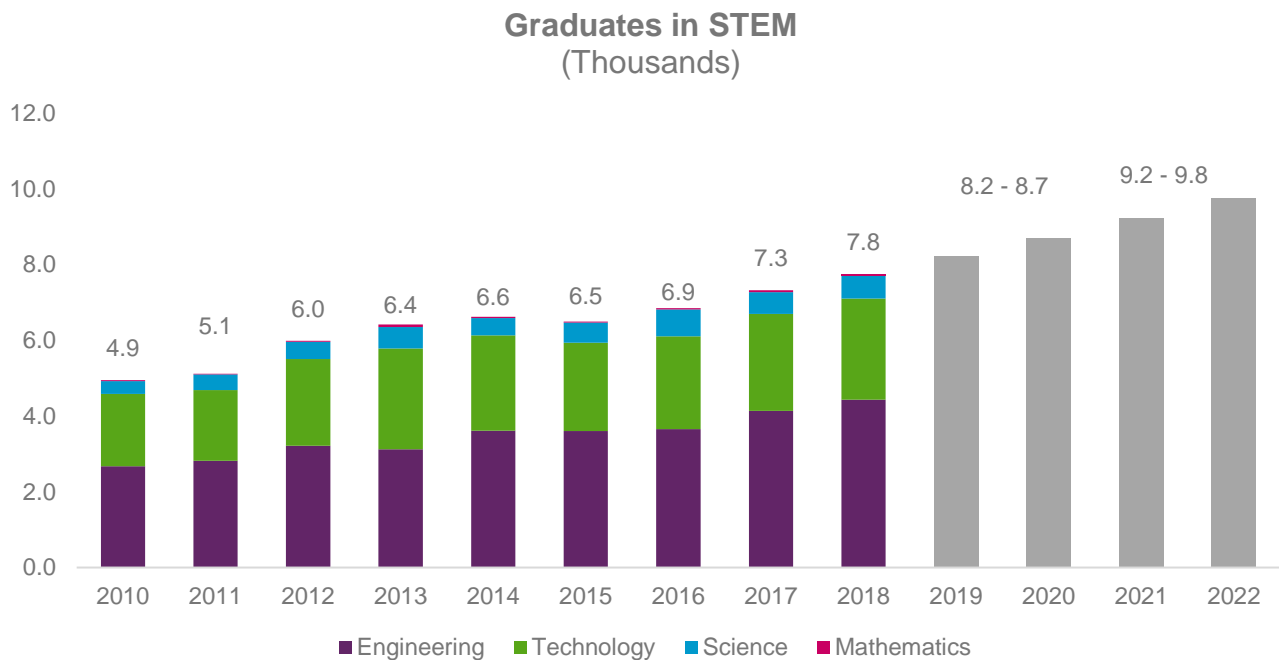


Source: CINDE based on data from CONARE & Universities' Registry Departments.

Note: 2018-2022 Forecast

98) How many students graduate every year in STEM related majors?

STEM stands for: Science, Technology, Engineering and Math, the number of STEM graduates has grown at a rate of 6% since 2009.



Source: CINDE based on data from CONARE, 2019.

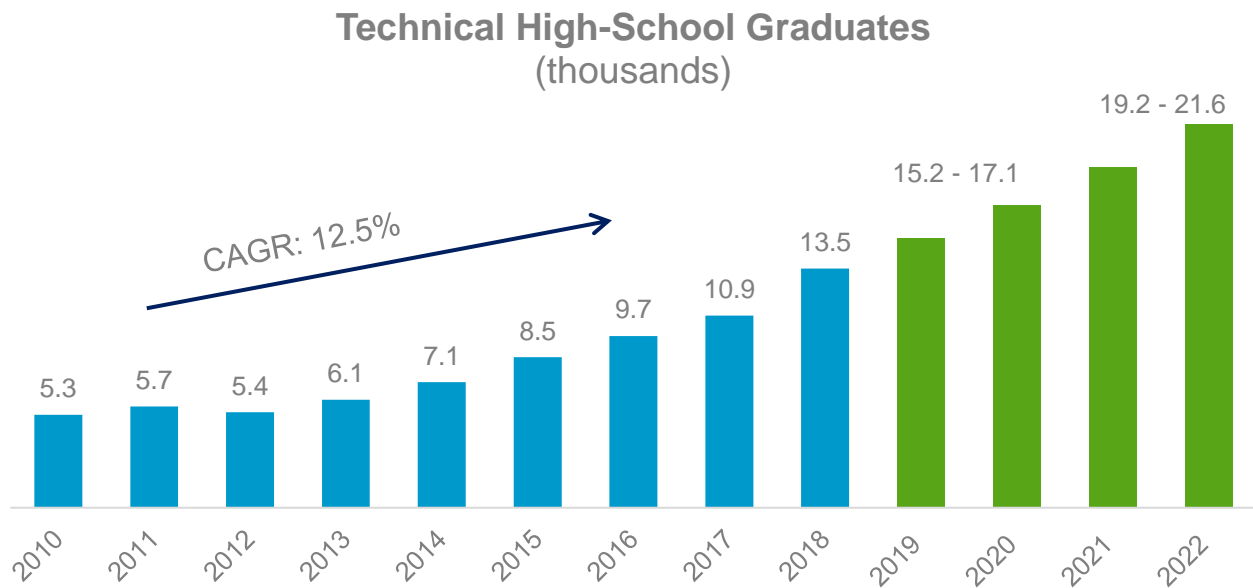
Note: 2019-2022 Forecast

99) Are there any technical institutions?

Yes. There are 224 technical high schools located all throughout the country. 162,484 students are enrolled in 57 different specialties among 3 areas of expertise (services, industrial, and agribusiness) in 2018.

100) How many students graduate from these technical high schools?

More than 13,000 students graduated from technical high schools in 2018. The number of graduates grew at a rate of 12.5% since 2010. Given the significant growth of the enrollment in these institutions, this number is expected to grow in coming years.



Source: CINDE based on data from Ministry of Public Education, 2019.

Note: 2019-2022 Forecast

101) Are there any programs promoting English language education?

Due to the increasing demand for human capital with English language proficiency, Costa Rica has developed different actions to comply with the productive sector needs.

The government's commitment with the promotion of the English language at all levels of the educational system, both public and private, led to 89% of Primary Schools have English programs nationwide.

Moreover, INA offers free language training to promote the population's capabilities with initiatives such as the Technical English Program for Service Centers, which was developed with contact center companies in 2005, graduating on average 1,000 graduates every year.

Another important initiative in terms of language, is the National English Plan "Costa Rica Multilingual". Its most significant actions are:

- Review and implementation of programs and educational methodologies
- Teacher training and education
- Training programs at all levels for students and professionals
- Professional certifications

The National English Plan uses the Common European Framework (CEF) to establish its goals. The CEF determines clear categories, grouped by the skill level domain the person has. The C1 level graduate is a "competent user". The B2 level graduate understands the main ideas of complex texts and communicates with relative ease and spontaneity. The B1 level graduate comprehends the main ideas of information in standard language.

More recently, the Alliance for Bilingualism (ABi) was announced as a part of the national strategy to significantly increase the coverage of English teaching in Costa Rica. ABi serves as a link between the plans of public institutions and the support of the private sector, including CINDE, to promote and guarantee the success of the strategy.

The excellent quality of English courses provided by the government, universities and private institutions nationwide, placed Costa Rica as the 14th country in the world and 1st in Latin America in TOEIC test (with a score of 699) and 1st in Latin America in TOEFL iBT performance (with a score of 93), in 2017.

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Quality of Life

102) What are the main indicators to show the country's quality of life?

Index	Source	Year of Publication	Countries Sampled	World Ranking	Latin American Ranking
Happy Planet Index	New Economics Foundation (NEF)	2016	140	1	1
World Happiness Report	United Nations	2019	156	12	1
Study Abroad Destination for U.S. students studying abroad	Open Doors Report - IIE	2016-2017	220 cities	9	1
Quality of Life Index	Expatriot Insider - InterNations	2018	68	14	1
Annual Global Retirement Index	International Living	2019	25	2	2
Working Abroad Index	Expatriot Insider - InterNations	2018	68	6	2
Ease of Settling In Index	Expatriot Insider - InterNations	2018	68	4	2
Expatriot Destinations	Expatriot Insider - InterNations	2018	68	7	3

103) What is the Costa Rica's commitment to protect its natural treasures?

26% of the territory is protected by conservation and natural reserves (National Parks, Wildlife refuges, Wetlands and Reserves such as forest, biological, Indian heritage communities)

Over 5% of the world's biodiversity, in just 0.03% of the world's territory and over half of the country is covered by rainforest

Costa Rica ranks 2nd in Performance and 1st in Expert Perception in Latin America in the Global Green Economy Index (Dual Citizen, 2018). Is also, a top ecotourism, adventure and wellness destination (Mother Nature Network; Lonely Planet, 2018)

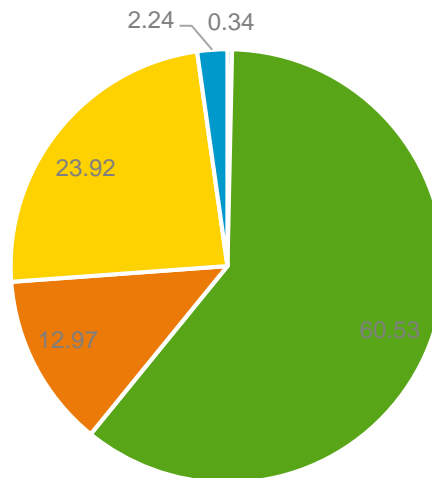
The Ministry of Tourism of Costa Rica awards a Sustainable Tourism Certificate, evaluating the sustainability of tourism operations, in terms of natural, cultural and social resources management.

104) How is the Costa Rica's energy matrix?

Around 99% of the electricity generated in 2018 came from renewable energy sources (hydroelectric, geothermal, biomass, solar, and wind).

Energy generation by type of source

January 2019



■ Thermoelectric ■ Hydroelectric ■ Geothermal ■ Wind ■ Other (Solar, biomass)

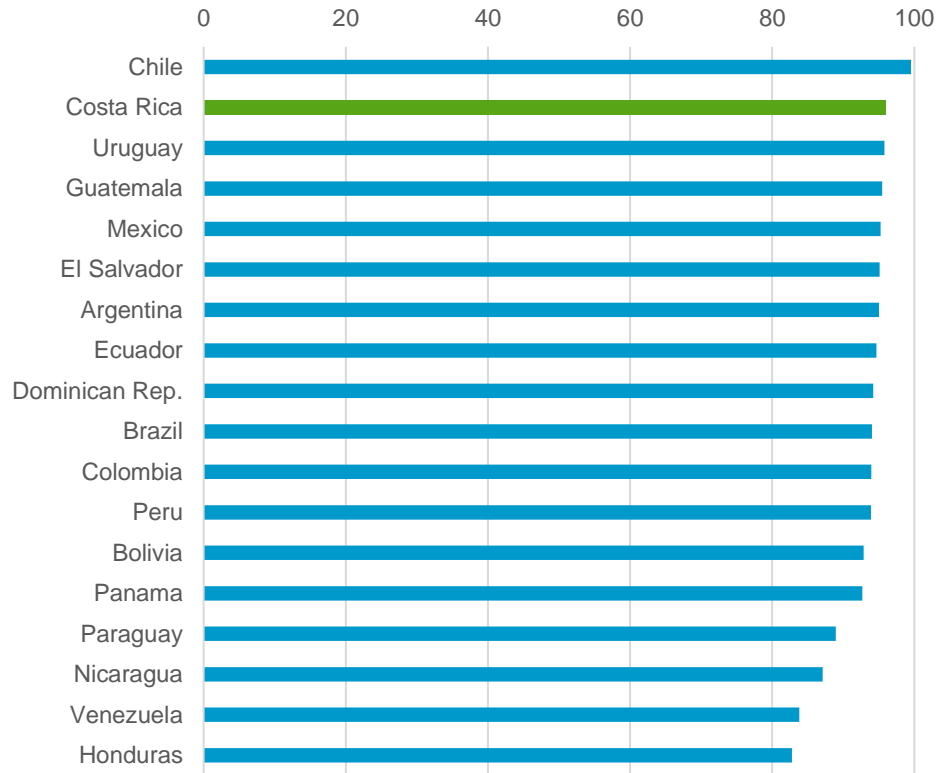
Source: CINDE based on data from SEN Costa Rica, 2019.

The International Energy Agency (IEA) has noted Costa Rica as one of the countries with the lowest electricity generation emissions factors (grams of CO₂ per kilowatt-hour) in the world. (NDC Partnership, 2017)

Costa Rica also ranks third in Latin America (14th in the world) in the Energy Architecture Performance Index (WEF 2017)

Electricity Infrastructure LATAM Ranking

Scores: 0-100(best)



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CINDE: Costa Rican Investment Promotion Agency

105) What is CINDE's scope of activities?

The Costa Rican Investment Promotion Agency, CINDE, is a private non-profit apolitical organization. It was founded in 1982 and in 1984 it was confirmed by the government to be of public interest. CINDE endeavors to advance the country's social and economic development by promoting foreign direct investment (FDI) into the country.

CINDE's effort to attract foreign direct investment has been acknowledged by several international entities, such as the Economic Commission for Latin America and the Caribbean (ECLAC), the Inter-American Development Bank (IADB) and the United Nations Conference on Trade and Development (UNCTAD). CINDE also actively participates in internationally recognized forums which are related to the monitoring and promotion of foreign investment, such as the World Association of Investment Promotion Agencies (WAIPA).

Besides, CINDE ranks as the #1 institution in the world in attracting Foreign Direct Investment (International Trade Center, 2017) and ranks 2nd in foreign investment agencies perceived as "best in class" (Development Counsellors International, 2017).

106) What services does CINDE provide?

As part of the services, CINDE will assist a company in their site selection due diligence process. These pre-establishment services evolve, basically, around two specific areas: providing detailed information on the country and its advantages and organizing customized investment agendas.

Once a company has reviewed the provided information and decides to visit Costa Rica, CINDE will draft a customized agenda for the trip that will meet the investor's needs, including meetings with: service providers, Government organizations, universities, real estate brokers, attorneys, accountants, industrial parks, and office parks.

CINDE's office in New York facilitates a direct contact and link with potential investors from North America and other countries.

Finally, CINDE also provides specialized support for strategic aspects geared to successfully developing new operational expansion projects or promoting product diversification of companies established in the country. This service also includes networking support with other companies or institutions related to the sector, as well as periodic informative seminars conducted by distinguished speakers on several issues of interest for investors. Through these services, CINDE reinforces a great part of its objectives with investors, such as:

- Anticipating client needs and problems
- Identifying success factors and investment environment improvement areas
- Motivate retention, expansion and/or diversification of its clients in the country
- Establishment of strong relations at all levels with clients
- Client satisfaction reassurance

107) Which companies can use CINDE's services?

CINDE has extensive experience in strategic sectors such as Life Sciences, Advanced Manufacturing, Services, Food Industry and Light manufacturing. CINDE provides services to companies that wish to invest in projects with high added value activities in the country.

108) What is the fee for CINDE's services?

CINDE does not charge for its services.

Sources: BCCR, COMEX, CONARE, Directorate General of Civil Aviation, INA, INEC, CCSS, MEP, Ministry of Treasury, MTTS, General Directorate of Immigration, PROCOMER, SUTEL, SUGEF, Legislative Assembly of Costa Rica, Central Government of Costa Rica, ECLAC, WB, IMF, WEF, CEPAL, Dual Citizen LLC, Reporters Without Borders, Institute for Economics & Peace, UNDP, The Economist Intelligence Unit, The Heritage Foundation, Transparency International, TOEIC, TOEFL, NDC Association, Mother Nature Network, Lonely Planet, Expat Insider, International Living, NEF, IIE.

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