

Important clarifications and warnings regarding the Solidary Tax (Impuesto Solidario)

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If you own a luxury property in Costa Rica or plan to own one in the future, and the property has or will have constructions for housing purposes on top, it is important that you are aware of the following important considerations.

Yalile Alpizar, President of www.costaricaluxuryestates.com and www.costaricamilliondollarhomes.com has clarified some important aspects related to the new tax to luxury homes in Costa Rica, the Solidarity Tax or Impuesto Solidario to luxury homes. Her company has 20 years of experience in the real estate market of the country and has the most exclusive inventory of million dollar homes for sale in Costa Rica.

Important clarifications and warnings regarding the Solidary Tax (Impuesto Solidario) or tax to luxury homes in Costa Rica:

The Solidary Tax includes land and construction values as part of the calculation of the new tax to luxury homes. After further clarifications with the Ministerio de Hacienda, and differently from what has been said in several articles and interviews from different media, the Solidary Tax includes the value of the land and constructions as part of the calculations of this new tax to luxury homes in Costa Rica. There has been some general confusion around this issue mainly because people who own vacant land in luxury locations, luxury gated communities and resorts, were also confused if their land (without constructions on it) would be subject to the new tax, but it is not. On the other hand the Articles 3 and 4 of the law are not clear enough in that respect. For this reason, the example of how to calculate the luxury tax without including land value, provided in a previous release, is not applicable.

If you own a luxury property in Costa Rica or plan to own one in the future, and the property has or will have constructions for housing purposes on top, it is important that you are aware of the following:

- 1) There is time until December 31st 2009 to pay the first payment of this tax which corresponds to the last quarter of 2009. From there on the tax will be paid every year in January during the first 15 natural days.
- 2) The property value has to be updated every three years.
- 3) If the constructions are updated or remodeled in any way that improves the value of the property, a new declaration has to be registered within one month after the works are initiated. The new declared value will be applicable to the next fiscal period.
- 4) Hacienda will compare the declared value with the parameters used by Hacienda to establish property values and construction values in the national territory. If the declared value agrees with their parameters with a difference of no more than 10%, Hacienda will give a bonus of 50% discount applicable to the amount of taxes payable for the next fiscal year. If the declared value differs with a margin or 10%, Hacienda is entitled to update the value according to their parameters and will just notify the owner.
- 5) There is a fine of up to 5 times the amount of unpaid taxes for those who register values that are not in accordance with the real value of the property according to the parameters established by Hacienda.
- 6) The value of the constructions will be based on market value. A manual of values known as Manual de

Tipologías is used by the Ministerio de Hacienda to establish the cost per square meter of a construction according to several categories. Since the manual is very technical it is better to use the services of a professional to do the calculations if you are not sure about what is required.

7) According to Article 9 of the law, every one owning a property for housing purposes will have to present the declaration. Even if you property is valued under 100,000,000 colones, you have to register the declaration. For those who refuse or forget there is a fine of half base salary. For those who own luxury properties with a value over 100,000,000 colones and forget or refuse to present the declaration, the fine is of 5 times the amount unpaid in taxes.

8) Only properties with houses, condominiums and apartments for housing purposes are subject to the Solidary Tax to luxury homes. This includes properties with recreational areas for housing purposes.

9) Luxury homes located in the Maritime Zone, not matter if they are under concession, under possession or titled, they are also subject to the tax. See Article 5 of the law. (Artículo 5º—Sujetos pasivos. Son sujetos pasivos a título de contribuyentes de este impuesto, en orden de prelación, las personas físicas o jurídicas que sean propietarias o copropietarias, usufructuarias de acuerdo con el Registro Nacional, o poseedores, de bienes inmuebles de uso habitacional, respecto de los cuales se verifique el hecho generador del impuesto. Igual condición tendrán los concesionarios, los permisionarios o los ocupantes, de la franja fronteriza, de la zona marítima terrestre o de cualquier otro inmueble otorgado por el Estado o sus Instituciones, por los bienes inmuebles de uso habitacional, respecto de los cuales se verifique el hecho generador del impuesto.)

Also, please visit the following links to find some maps with values in different locations of the country and all the forms that are to be filled out in order to pay the Solidary Tax which is due on December 31st, 2009 and corresponds to the last quarter of year 2009 (the tax is collected beginning October 1st, 2009):

<http://dgt.hacienda.go.cr/valoraciones/Normativavaloraciontribadmin/Parametrosdevaloracion/Paginas/Reglasparaelimpuestosalidario.aspx>

<http://dgt.hacienda.go.cr/oficina/herramientas/Paginas/Programaparacalcularelimpuestosalidario.aspx>

The new law is published in full here: http://historico.gaceta.go.cr/pub/2009/09/29/ALCA40_29_09_2009.html

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