

Global Tax Alert

News from EY Americas Tax

Costa Rica's tax authorities issue procedure for reporting capital income under the ordinary income tax provisions

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EY Americas Tax

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Costa Rica's tax authorities published, in the *Official Gazette* on 16 October 2019, Resolution No. DGT-R-058-2019 (the Resolution), establishing the procedure for taxpayers to report whether their capital income will be taxed under the ordinary income tax provisions of the Income Tax Law, instead of the capital income tax provisions. Specifically, taxpayers will file Form D-140 with the tax authorities and indicate that the income satisfies the following requirements of the Income Tax Law and its regulations:

- ▶ The capital income originated from their ordinary trade or business.
- ▶ They have at least one employee helping to generate the capital income.

Taxpayers that earn capital income from their ordinary trade or business must report the earnings on Form D-101 in the tax year in which it is earned. Taxpayers with capital income that is not earned as part of their ordinary trade or business must report that income on Form D-125 (for immovable capital income) or Form D-149 (for movable capital income).

For taxpayers that meet the requirement of hiring at least one employee to help generate the capital income, the capital income will be taxed under the ordinary income tax provisions in the tax year following the date on which the taxpayer reports to the tax authorities how the income will be taxed. Until taxpayers report to the tax authorities that the capital income will be taxed under the ordinary income tax provisions, they must report the income on Form D-125 or D-149.

The Resolution went into effect on 16 October 2019.

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