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Global Tax Alert

News from EY Americas Tax

Costa Rica's Ministry of Treasury submits to Congress a bill establishing dual and global income tax rules

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On 5 February 2021, Costa Rica's Ministry of Treasury submitted a proposed bill (Bill No. 22.393) that would establish the dual and global income tax rules as part of the commitments Costa Rica made during its loan negotiations with the International Monetary Fund (IMF). This bill modifies the first bill proposed for establishing the dual and global income tax because the first bill contained provisions that were against the agreements of the negotiation tables (i.e., an outline for discussing which proposals would become part of the loan agreement with the IMF).

This new bill makes the following modifications to the provisions of the first bill:

- ▶ Elimination of the tax on worldwide income
- ▶ Elimination of the provisions that referenced a new corporate income tax (in Spanish "Impuesto a Sociedades")
- ▶ Clarification of the tax exemption applicable to voluntary and supplementary pension regimes
- ▶ Clarification of the tax exemption for the income from the sale of a principal residence
- ▶ Elimination of the generic provision repealing any income tax exemption

The bill also confirms the tax benefits applicable to the free trade zone regime. When there are undistributed profits and more than six tax periods have elapsed since undistributed profits were generated, the bill clarifies that the company with the undistributed profits will be presumed to have distributed them as dividends or taxable surpluses and paid the corresponding tax. This provision differs from the first bill, which only required four tax periods to elapse, instead of six.

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