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# Indirect Tax Alert

News from Americas Tax Center

## Costa Rica's Attorney General's Office confirms that tax exemptions applicable to the sales tax apply to new value-added tax

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On 5 July 2019, Costa Rica's Attorney General's Office determined (Legal Opinion No. C-185-2019) that the exemptions applicable to the sales tax apply to the value-added tax (VAT).

### **Background**

On 4 December 2018, Costa Rica enacted the Law on the Strengthening of Public Finances (tax reform). The tax reform replaced the current sales tax with a VAT, effective 1 July 2019. The tax reform, however, did not include a provision to repeal the tax exemptions applicable to the sales tax.

As a result, many taxpayers have raised questions regarding whether the sales tax exemptions established in other laws that are currently in force apply to the new VAT. In several private rulings, the tax authorities ruled that the tax exemptions granted in other laws were repealed; therefore, only the VAT exemptions established in Section 8 of the VAT Law applied.

### **Attorney General's Office Legal Opinion**

To confirm their interpretation, the tax authorities requested a legal opinion from the Attorney General's Office (Procuraduría General de la República). The Attorney General's Office determined that the tax exemptions applicable to the sales tax were not repealed because the tax reform did not include a provision repealing those exemptions. Accordingly, the Attorney General's Office

concluded that the tax exemptions that applied to the sales tax also applied to the new VAT. The tax authorities should follow the Attorney General's Legal Opinion or file a bill before the Congress to amend the VAT law and repeal the exemptions that are not included in Section 8 of the VAT law.

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