

Global Tax Alert

News from EY Americas Tax and
Transfer Pricing

Costa Rica: Modifications to income tax regulations affect transfer pricing

EY Tax News Update: Global Edition

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The Costa Rican tax authorities published Decree No. 41818-H (the Decree) (26 June 2019), amending the definition of related parties, the transfer pricing information return, and Advance Pricing Agreements (APAs).

Defining related party

The Decree treats a transaction between a Costa Rican taxpayer and an individual or entity domiciled in a non-cooperating jurisdiction as a related-party transaction. The Decree extends the definition of non-cooperating jurisdictions to include those that meet any of the following conditions:

- i. Jurisdictions that have an income tax rate that is 40% or more below the rate established in subsection a) of Article 15 of the Income Tax Law
- ii. Jurisdictions that do not have a treaty allowing for the exchange of information with Costa Rica

Transfer pricing information return

Taxpayers that operate under a free trade zone regime or are classified as large taxpayers or large regional taxpayers must file the transfer pricing information return. The Decree expands the scope of the filing obligation for the transfer pricing information return by requiring any taxpayer with annual intercompany

transactions (whether cross-border or domestic) exceeding the equivalent of 1,000 base salaries to file the information return. The tax authorities have not issued the form for the information return. See also EY Global Tax Alert, [Costa Rican Tax Administration temporarily suspends filing date for transfer pricing information return](#), dated 9 June 2017.

The Decree also requires taxpayers that carry out transactions with related parties to prepare transfer pricing documentation.

Advance pricing agreements

The Decree extends the term of APAs from three years to five years. The tax authorities must still issue regulations for processing unilateral, bilateral and multilateral APAs.

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