

# Indirect Tax Alert

News from EY Americas Tax

## Costa Rica's tax authorities issue new procedure for VAT exemption or reduced VAT rate

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Costa Rica's tax authorities published a new procedure (Resolution No. DGT-DGH-R-060-2019) for requesting a value-added tax (VAT) exemption or reduced VAT rate in the *Official Gazette* on 15 October 2019.

The new procedure must be followed by: (i) exporters, (ii) suppliers of exporters, (iii) suppliers of local governments, (iv) suppliers of the Costa Rican Social Security (CCSS), and (v) traders, distributors and producers of products included in the list of basic foods and their inputs. Those taxpayers who apply the procedure and meet all requirements will be able to acquire the goods and services for their operations without paying VAT or with a VAT-reduced rate.

In addition, the new procedure contains a series of specific requirements that must be met, depending on whether the taxpayer is an exporter, supplier to exporters, supplier to local governments or CCSS, or trader, distributor and producer of the list of basic foods and their inputs.

To request a VAT exemption or reduced VAT rate, taxpayers must first register with the Tax Registry by completing Form D-140, "Declaration of Registration or Modification of Data of the Tax Registry," on the tax authorities' virtual system, "Virtual Tax Administration." Once taxpayers are registered with the Tax Registry, they must also request the exemption or reduced rate through the Exonet system.

Taxpayers must retain the information and evidentiary documentation that show they have complied with the requirements for obtaining an exemption or reduced VAT rate. The documentation must be available to the tax authorities for verifying compliance. The tax authorities may request the documentation through a general resolution or individual request.

The reduced VAT rate or exemption authorizations will be effective for up to 12 months, counted from the notification date. The taxpayer may renew the exemption or reduced VAT rate one month before its expiration.

The authorizations will have a unique code that must be given to the supplier of the beneficiary, so that it may incorporate it in the respective electronic voucher.

The Resolution is effective as of its publication date (i.e., 15 October 2019) and supersedes Resolution DGT No. DGT-DGH-R-031-2019, Articles 1 and 2 of Resolution No. DGT-DGH-R-043-2019, and Resolution No. DGT-DGH-R-050-2019.

Pending applications filed on Form D-300 will be incorporated automatically in the Tax Registry; in addition, until the virtual system has incorporated the Resolution's provisions, taxpayers must submit the printed declaration.

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