

# Planning to Invest in Costa Rica:

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Many of our foreign clients have similar concerns when we first discuss their investment plans in Costa Rica. Almost everyone we have met wants to know about incorporating, buying property and obtaining residency.

We believe these three issues are the main components of what we would call the "typical investment package"; which, just by following some basic steps would make your Costa Rican venture a very successful one.

## ***Incorporating in Costa Rica***

The typical limited liability company ("Sociedad Anónima" or "S.A.") must be incorporated by at least two people before a Costa Rican Notary Public. After such incorporation, the shares may be transferred and it is legally feasible to have a corporation in which one person is the owner of all shares.

The incorporators must choose a name (which must not be similar to any existing corporate name); appoint a Board of Directors (which, by law, must have a minimum of three members, denominated President, Treasurer and Secretary) and a Comptroller. Each one of those positions must be occupied by a different person; however, the initial incorporators may occupy them.

Other crucial issues to be decided are the capital of the corporation (the



## *the ABC's of Incorporating, Buying Property and Becoming a Resident*



highest the capital, the more registration taxes are to be paid); the number of shares composing such capital (a share cannot be divided according to Costa Rican Law -fractions of shares are not acceptable-; thus, it is advisable to have a number of shares that would permit future distributions of the participation in the company) and the representation of the newly formed company (there must be at least one representative of the company with powers of attorney to act on its behalf; however, at the time of incorporation, or later on, the powers of the company's representatives may be limited, for example, to specific actions or amounts).

Costa Rica has what we like to call a "hybrid" corporate system. The incorporation deed, as well as all changes to the company's By-Laws are recorded in the Public Register, where any person has access to them. However, all transfers of the company's shares are recorded in the Shareholders Registry Book, which is kept by the corporation and is only available to company's shareholders and officials; all other parties can only review it with a Court order.

When you are buying real estate, it is advisable to do it on a corporation's name. In this case, transfers could be made easier and the structure may be more flexible for other transactions and for organizational matters.

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### **Buying Real Estate**

Most properties in Costa Rica are registered in a computer system called "Folio Real". This system is centralized at the offices of the Public Registry (Registro Público) in San José. Before buying land (or even before seriously considering an offer to buy land) a title search in the Folio Real should be performed.

Such a title search will show all data on the property, including area, ownership, boundaries, location, mortgages and other liens.

A few properties have not been incorporated into the "Folio Real" system yet. They are still registered in special books kept in the Public Registry. Such properties may also be accurately title searched in the Public Registry.

When considering purchasing, the first question to be asked is if you are being offered ownership rights (*derecho de propiedad*) or occupation rights ("*derechos de ocupación*"). In the case of occupation, you would be dealing with land that has not been registered, cannot be title-searched and must go through a long process in order to be registered. Ownership rights, on the contrary, are registered and are equal to the concept of owning land in the United States or Canada.

Another situation one may encounter regarding land, especially on the beaches, is the concession. In this case, the government gives a pri-

vate party the right to use the land for a specific period of time. In general terms, the concession may be considered as a lease. The concessions' registration system is different than the one for regular land, and has particular requirements regarding zoning, terms, occupation, etc.

In conclusion, before buying, before offering or even before seriously considering a piece of land, enquire about its status and perform a title search: these simple steps could save you a lot of money and effort, and will definitely make your Costa Rican investment worthwhile.

### **Residency**

Investing in a country as beautiful as Costa Rica is the final pretext many people are looking for to leave everything behind and start a new and different life. Understandably, one of the most popular concerns is how to become a resident.

Costa Rican Immigration Laws allow foreign citizens to become residents in specific cases that range from having a family relationship with a local citizen (marrying a Costa Rican, having Costa Rican children) to demonstrating to the government that the applicant will not be a burden for the country, mainly showing sound resources to be established in Costa Rica and, in some cases, to create a business here.

Our mainly recommended regimes are the resident pensioner and the resident annuitant status. They are both administered by I.C.T. (Costa Rican Tourism Board).

The resident pensioner status is used for foreign citizens who have retired from government service or from selected private entities and receive from them a permanent life retirement income of no less than US\$600.00 per month. Such amount must be transferred periodically to Costa Rica, and its reception and conversion into colones at designated institutions has to be demonstrated.

The resident annuitant regime is applicable to all foreign nationals, regardless of age, receiving a fixed monthly income of no less than US\$1,000.00. The funds of the deposit can come from local sources or from abroad and their conversion into colones at designated institutions has to be demonstrated.

Investing in Costa Rica can be one of your life's best decisions. There are many things to discover and experience. Being wise enough to plan your investment will make this venture real and sound.

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