

## **Legal Aspects of purchasing property in Costa Rica**

All Finca Bellavista properties will be sold as titled (fee simple) properties, with clear title provided to the buyer. The transaction is not overly complicated, but can take some time. Remember that in Costa Rica, patience is a valuable asset. One of the reasons people choose a leisurely tropical lifestyle is to escape the fast-lane pace of North American and European living.

The properties offered in Finca Bellavista will be duly registered at the Costa Rican Public Record Office. Land transfers (sales) are granted through a public deed. A Costa Rican Notary Public (lawyer) records this transaction by inserting the title transfer in his Protocol (numbered ledger). A Notary Public is a licensed Attorney-at-Law who is endowed with "public trust" and has the right to validate and legalize all contracts and deeds. The purchase deed is presented by the Notary to be duly registered in the public records.

All the properties will be registered in the Costa Rican Land Registry Office, where each individual lot has its own registry number. Ownership of each individual property is then transferred to an anonymous corporation, itself registered in the Costa Rican Registry of Corporations. All of the documents detailing ownership of the land and registry information of the corporation are available from each appropriate registry office.

By law, anyone – Costa Rican citizen, resident, or foreign non-resident alike – may legally own land in Costa-Rica. For legal and tax reasons, however, the purchase of real estate is best done through a Costa Rican anonymous corporation – called an S.A., or Sociedad Anonima.

Ownership of recordable assets, such as real estate and motor vehicles, is now the main purpose of most of Costa Rica's registered corporations. This method of "indirect" possession is the most highly recommended means of managing recordable assets. Creating an S.A. in Costa Rica costs \$300-500, depending on the complexity of the Articles of Incorporation. (We can recommend an honest and reliable local Costa Rican attorney to create the S.A. for you whenever you are ready to purchase a parcel at Finca Bellavista).

The advantages of having one's property or any Costa Rica real estate owned by an anonymous corporation rather than held in an individual's name are:

- a) An anonymous corporation, as the name indicates, provides a measure of privacy for its owner(s). It will be difficult to obtain information about who owns the shares, providing the discretion which many foreign investors desire.
- b) Personal liabilities are reduced by having your assets registered under individual Costa Rican corporations.
- c) Individual landowners pay land transfer taxes every time a property is sold. As of this moment, if a Costa Rican corporation owns the property, land transfer

taxes no longer have to be paid (although legal fees do) – if you decide to sell your property or give it to a family member, you transfer the shares of the corporation to the purchaser.

d) There are no capital gains taxes paid in Costa Rica when you sell a corporation owning a property, since the sale is a private transaction.

e) Inheritance taxes in Costa Rica are high, but an anonymous corporation (S.A.) never dies. Your spouse or your children can indeed enjoy the fruits of your labor without having to worry about such taxes, as long as you leave them the shares of the corporation in your will. They can then appoint themselves to the Board of Directors of the corporation and carry on the tradition.

A Costa Rican lawyer incorporates the "blank" corporations that are used for the land transactions. The lawyer is usually registered as President and signing officer of the corporation until the corporation is turned over to you. The Board of Directors of the corporation is comprised of a President, Secretary, Treasurer and Comptroller, all assigned to these positions to meet with the legal requirements. However, only the signing officer and shareholder(s) have legal powers over the corporation.

Once you are registered as President, signing officer and shareholder of the corporation (along with any other person(s) that you may wish), the corporation becomes entirely yours, along with the property it owns.

The deed to the property guarantees you sole rights of who has access to and over the property.

The shares of the Costa Rican Corporation which owns the property can be endorsed in the name of an offshore IBC if you already own one. Costa Rican real estate cannot be directly registered in the name of the offshore IBC because it is not a legally registered entity in Costa Rica.

Since the corporation does not produce goods or provide services it is considered inactive and therefore pays no income taxes, although it must present a yearly income tax statement indicating its inactive status.