

Top 7 Reasons to Invest in Costa Rica Real Estate

By Eric Carvajal

Costa Rica has recently caught many eyes as a hot tourist spot but also as a great place to purchase real estate. With so much public attention and a vast number of tourists visiting Costa Rica every year, the country offers a great investment environment for real estate. Below are seven great reasons to invest in Costa Rica Real Estate.

- Stable Government:

Costa Rica is a democratic republic with three branches of government and has enjoyed one of the most democratic governments in Latin America. As of 1948, Costa Rica abolished its army and since 1949 has enjoyed its peaceful democratic existence, often being referred to as the "Switzerland of Central America". The government is one of the people and one that very much sees the value of tourism. Over the past few years the government has incentivized foreigners to come and retire in Costa Rica. Stable government ensures that the money you put into your property is safe. Political turmoil will never be a reason for illiquidity in your Costa Rican investment and also provides reason why Costa Rica is a great place to buy. There are many other locations around the world that investors think of to go and buy, but stability is very important and should play a huge factor in anyone's investment decisions.

- Stable Currency:

Investors want to know if their money is safe in Costa Rica

Stability of the government has helped to maintain a solid and stable currency.

The Costa Rican colon, also denoted as CRC is the official currency of Costa Rica. (Currently \$1 USD = 516.245 CRC).

Colones come in notes of 1,000 up to 10,000.

US Dollars are also accepted as legal tender in Costa Rica. Both are widely accepted and exchanged throughout the country with approximately 90% of the places of business in the country accepting the US Dollar.

- Tax Incentives:

This seems to be the one everyone loves! As mentioned earlier the Costa Rican government has created one of the most attractive investment environments in Latin America.

Capital Gains Tax= 0% in Costa Rica. The capital gains taxes are exempt for a business if the money is derived from an activity that is not the normal course of business for the company (This exemption is established through the use of SA, or Sociedad Anonima). Property Taxes in Costa Rica = .25%. This rate is significantly lower than most places in the world. As a result people are buying in Costa Rica which increases demand and ultimately increases value. There are not many places where you can buy a piece of property that has incredible appreciation potential with such low holding costs.

Corporate Tax: The Sociedad Anonima (S.A.)

These forms of corporate structures allow owners of property to keep their names away from the corporations they own (literally translates as "anonymous society"). Ninety percent of all property in Costa Rica is purchased through these S.A.'s. When a property owner purchases property through these S.A.'s they use a shareholder's loan to fund the purchase. Rental income generated is taken out of the corporation as dividend income and deducted against the initial investment and thus no taxes are paid.

Income Tax: Only income generated in Costa Rica is subject to income tax

Costa Rica offers large amounts of income to be deductible and free from any tax

**all tax information should be verified by independent tax professional. The Carvajal Group, LLC would be more than happy to get you in contact with a tax professional in Costa Rica to assist you with your due diligence.

- Proximity to Major U.S. Cities:

When investigating vacation destinations and environments for second homes or investment property, it is important to factor travel times to the destination. Costa Rica's proximity to major US Cities gives even more reason why investors are buying property in Costa Rica. Great tourist destinations need to be close and easily accessible.

Major US Carriers offer direct flights to and from Costa Rica from the following international airports (3-5 hour flight times)

-Miami

- Houston
- Atlanta
- Dallas
- Chicago
- New York
- Los Angeles
- Toronto

- Healthy Local Economy:

For baby boomers and entrepreneurs, spiraling costs of living abroad, oppressive taxes and government regulation in the US have placed Costa Rica high atop the list of places to retire without sacrificing standard of living. This is what savvy investors are looking for!

- No Ownership Restrictions:

Foreign Ownership is promoted in the country of Costa Rica. In many foreign countries fee simple title is only available to locals and without titled ownership your investments can be at great risk. All foreigners enjoy the same rights as Costa Ricans when it comes to real estate ownership. Titled, fee simple properties are all registered in the National Registry of Costa Rica properly protecting your ownership rights.

- Excellent Lending market:

Prior to 2006, there was no market for lending in Costa Rica and investors bought and sold property on a cash basis. With the recent surge by worldwide and US lenders as well as the strengthening of the Costa Rican market, financing at reasonable rates is now an available option. This addition to the real estate industry has made it possible for many more investors to buy property in Costa Rica and will only increase the demand over time.

As you can see there are many great reasons to invest in Costa Rica. Many people believe that it is too late to make any money. This is not the case! The time is now to invest in this beautiful country and incredible vacation spot.