

## **COSTA RICA COMPANIES FREQUENTLY ASKED QUESTIONS (FAQs)**

**Disclaimer:** The following questions are a collection of real questions formulated to **GLC** over the years which we believe represent some of the most common questions that individuals interested in **creating a company or corporation in Costa Rica** normally have. Our answers **ARE NOT** in any way legal advice, they are just general information provided as a reference so that the general public might obtain a better understanding of the **process of forming a company in Costa Rica**. Any unauthorized copying, alteration, distribution, transmission, performance, display or other use of this material is prohibited. As Costa Rican lawyers, we are not allowed by the Costa Rican Bar Association from providing legal advice without the prior existence of a **client/attorney relationship**, in order to obtain legal advice for your specific case we encourage you to seek specialized legal advice.

*1. I would like to talk to someone about create a new corporation and transferring my assets to that corporation. Can you help me?*

**Answer:** In Costa Rica only lawyers who are authorized as **Notary Public** can incorporate local companies. A minimum of **two Partners** retain the services of a specialized attorney in **company formation** and then the professional prepares a public deed with the **Articles of Incorporation** adjusted to the specific business activity of the future **Partners**.

Once both **Partners** define important details such as **business activity, share distribution, legal representation, registered address** and **dividend distribution**, the Notary transmits the authorized and executed public electronically to the **National Registry**.

At the **National Registry** the **company formation** request is assigned to a specialized Registrar for revision in order to determine that the legal formalities were ALL met and if everything checks then the **company** will be registered officially in a period that ranges between 24- 72 hours after being properly submitted.

Once registered the company will obtain a corporate identification number which is 3-101 plus 6 more unique digits for S.A.s (Sociedades Anónimas) or 3-102 plus 6 more unique

digits for S.R.s (Sociedades de Responsabilidad Limitada). The corporate identification number known in Spanish and in Costa Rica as the cédula jurídica represents the existence of the new company to legal life. Once registered the company will be able to conduct any type of legal activity allowed in Costa Rica and internationally.

Some of the most popular uses of Costa Rican companies are:

- To launch a local and/or global business
- To purchase local assets
- To open local corporate bank accounts
- For asset protection purposes

*2. On behalf of one of our law firm clients, please could you send an introductory info sheet on a corporate formation in Costa Rica?*

**Answer: GLC** has offered some of the most professional company formation services available in Costa Rica since 1999. Our firm was one of the pioneers in “adapting” Costa Rican corporations to the offshore company formation world.

The basic package that we normally offer is:

Type of entities available: S.R.L.s and S.A.s

Main characteristics: limited liability, offshore tax exempt, agile KYC, low yearly maintenance, global capability.

Includes:

- Articles of Incorporation
- Share Certificates
- Legal Books
- Registered Address
- Resident Agent
- English Translation
- Apostille (available)
- Good Standing Certificate

### **Description of our 3 Step Incorporation Process:**

**Step 1:** The Client decides to proceed by completing our **Incorporation Form** and sending payment to **GLC** via PayPal, Credit Card or Bank Wire.

**Step 2:** **GLC's** attorneys review the **Incorporation Form** and confirm name availability and if everything is ok send a **Letter of Acceptance** to the client in which he or she is appointed as **Manager**.

**Step 3:** **GLC** uploads the public deed prepared by our Notaries to obtain the official registration of the National Registry.

**Estimated Duration:** 24- 72 hours (The process is handled entirely online and/or email no physical presence of the beneficiaries is required).

*3. I am a US individual who is now involved in a business operation in Costa Rica. I am seeking consultant and advice for restructuring of an existing business corporation and other matter related banking between US and Costa Rica. I need an attorney who is experienced in corporate law and fluent in English to deal with contacting shareholders who are living in the US.*

**Answer:** in **GLC** our mission is to protect and develop foreign interests in Costa Rica as we believe that with that we are contributing to the development of our people and our country.

In that sense our clients are mostly foreign and come from many different backgrounds but they all have one thing in common, they see Costa Rica as an attractive jurisdiction for their business and/or personal matters.

Having said that, North Americans especially US citizens have always been some of our preferred clients and in our more than 20 years of experience with them we can say that we understand the differences between the North American business environment and that of Latin America.

Besides forming companies for our clients **GLC** specializes in local and offshore bank account introduction, corporate amendments, corporate and civil law.

*4. Following the correspondence below, kindly advise if you provide services for redomiciliation of the companies from Costa Rica.*

**Answer:** As experts in Company Formation and Corporate Law we offer the following yearly renewal services:

- Registered Address (Also known as Social Domicile available for companies that don't operate in Costa Rica)
- Resident Agent (Needed when the representative of the company is foreign)
- Custody of Legal Books (Necessary to prepare certain Corporate Certifications)
- Payment of the Yearly Corporations Tax (paid with the incorporation and then every January)

*5. I would like to enquire about the formation of a Costa Rica offshore company with a bank account and merchant account.*

**Answer:** As the **first movers** in "adapting" **Costa Rican companies** to the offshore companies industry, **GLC** also assists clients with **local** and **offshore bank account introduction services**. We are also able to facilitate merchant account and payment processing for our clients through trusted providers.

*6. I would like to know if there are ready-made shelf companies available that could help shorten the incorporation time.*

**Answer:** In our first years of operation we used to maintain a permanent stock of ready-made or shelf companies, that was because the incorporation process lasted almost one month. That situation changed dramatically in the last years and for the last years Costa Rica offers some of the fastest and most agile incorporation services in the world. GLC uses a 3 Step Incorporation Process that takes between 24- 72 hours. In many cases we are able to have the company formed for our client the same day.

We also maintain a limited number of ready- made corporations but to take control of an existing corporation is significantly slower than forming a company from "scratch". Another reason why it's not attractive to maintain a stock of shelf companies is because now Costa Rican companies are obligated to pay what we call the Yearly Corporations Tax every January, so the older the company the more expensive it would be for the client.

*7. I am looking to either get a shelf corporation or file and start my own corporation. I do need it to be an S.R.L.*

**Answer:** Most of our clients incorporate **S.R.L.s** versus **S.A.s** below you will find a comparative table:

<b>Type of Entity</b>	<b>S.R.L.</b>	<b>S.A.</b>
<b>Acronym stands for in Spanish:</b>	<b><i>Sociedad de Responsabilidad Limitada</i></b>	<b><i>Sociedad Anónima</i></b>
<b>Equivalent in Common Law:</b>	<b><i>LLC</i></b>	<b><i>Corporation</i></b>
<b>Limited Liability</b>	<b>YES</b>	<b>YES</b>
<b>Offshore Tax Exempt</b>	<b>YES</b>	<b>YES</b>
<b>Needs a Board of Directors</b>	<b>NO</b>	<b>YES</b>
<b>Right of First Refusal to other shareholders</b>	<b>YES</b>	<b>NO</b>

As you can see both types of entities share the benefit or characteristic of their limited liability, so the main reason why now and for the last at least 10 years more than 90% of the companies that we form are SRL is because of how easy they are to manage. The SRL doesn't need a Board of Directors were the S.A. does require a Board of Directors of President, Secretary and Treasurer plus an Auditor which sometimes results more complex especially for international clients as they need more signatures to form the company.

To form an S.R.L. you just need one Director/Manager to operate which results extremely practical for international business.

Their tax regime is exactly the same so there are no advantages or disadvantages between them in that sense. As you can see there is one other difference to take into consideration before selecting the type of entity that best suits your business needs, that is the existence of the Right of First Refusal in the S.R.L.

What we call the Right of First Refusal in S.R.L.s is the obligation that minority shareholders have when they want to sell their stock (called Quota in S.R.L.s) to offer them first to the existing majority shareholders of their company. This originated in Costa Rican Law for S.R.L.s as they were initially conceived as "family companies" so this obligation was an effort to try to maintain the company between its founders. S.A.s offer a more open shareholder reality in which there is no Right of First Refusal from the majority shareholders allowing third parties to become shareholders freely.