

Law of Incentives for Tourism Development

Law No. 6990 of July 5 of 1985, published in La Gaceta No. 143 of July 30 of 1985, amended by Law No. 7293 denominated "Regulatory Law of all Valid Exoneration, its Derogatory and its Exceptions", published in La Gaceta No. 66 of April 3 of 1992 and by law No. 8114 published in Alcance No. 53 of La Gaceta No. 131 of July 9 of 2001.

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Article 1.-The industry of tourism is declared of public usefulness.

Article 2.-The present law has the purpose of establishing an accelerated and rational development process of the Costa Rican tourist activity, reason to establish the incentives and benefits to be granted as stimulus for the realization of important programs and projects for such activity.

Article 3.-The dispositions of the present law will be applied to the following tourist activities:⁷³

- a) Hotel services
- b) Air transport of tourists, international and national
- c) Aquatic transport of tourists
- ch) Receptive tourism of travel agencies exclusively dedicated to this activity
- d) Vehicles' rentals to foreign and national tourists

Article 4.-The incentives included in this law will be granted by the Costa Rica Tourist Board by way of a tourist contract, prior approval of the tourism regulating commission, to be named by the Presidency of the Republic. This commission will be integrated by a representative of the Costa Rica Tourist Board, one of the Ministry of Public Treasury, one of the Ministry of Economy and two representatives of the private sector directly related to any of the activities enumerated in article 3, who will represent different activities.

The respective contract will include the benefits and obligations and the guarantees that in each case correspond, to exact from the applicant.

Article 5.-For the granting of incentives and benefits stipulated by this law, activities mentioned in the third article, that are currently operating, will be considered as well as new projects and those of enlargement or remodeling.

Article 6.-For effects of granting the benefits of this law the following aspects will be taken into account, among others:

- a) Contribution on the balance of payments.
- b) Utilization of raw material and national supplies.
- c) Creation of employment direct or indirectly.
- ch) Effects on regional development.
- d) Modernization or diversification of the national tourist offer.
- e) Increase of the internal and international tourist demand.
- f) Benefits reflected on other sectors.

⁷³ As modified by Law No. 7293 of March 26 of 1992, published in La Gaceta No. 66 of April 3 of 1992

Article 7.- To the companies qualified for obtaining the benefits of this Law, the following incentives may be granted, totally or partially, according to the activity in which they are classified:⁷⁴

a) Hotel services:

i) Exemption of all tribute and overcharges that apply to the import or local purchases of all the indispensable articles required for the functioning or installment of new companies, or of those already established, offer new services, as well as for construction, enlargement or remodeling of the respective building, except for automobiles and fuel. This exemption does not apply to the import of those similar goods, which are manufactured in the territories of signatory countries of the Agreement of the Central American Tariff and Customs System, on equal conditions as to quality, quantity and prices, as decided by the Ministry of Economy, Industry and Commerce.⁷⁵

ii) Accelerated depreciation of the goods that by their use and nature are extinguished more rapidly, in conformity with the law of Income Tax.⁷⁶

iii) Concession of municipal patents that companies require for the development of their activities. Municipalities will grant these patents in a maximum term of thirty natural days after presentation of the request and will charge the corresponding tax. No patents may be given for game rooms forbidden by other laws.

iv) Authorization of the Central Bank of Costa Rica so that Costa Rican hotel companies dedicated to the attention of international tourism, be contracted as auxiliary cash boxes of such Institution for buying of currency from foreign tourists. Operations will be done to the name of and on account of the Central Bank of Costa Rica, which will establish at the respective agreement, the terms and conditions in which hotels will transfer the foreign exchange currency received by that activity.

v) Annulled⁷⁷

b) International and national air transport of tourists:

Classify on this section, only companies transporting tourists on international routes and flights with itinerary, within the national territory. Incentives:

i) Accelerated depreciation in conformity with the Law on Income Tax.⁷⁸

⁷⁴ Amended by Law No. 8114 that annuls all exemptions on the payment of sales taxes contained in this article 7 of Law No. 6990.

⁷⁵ In conformity with article 17 of Law No. 8114 are annulled all the exemptions to the payment of sales taxes contained in article 7 of Law No. 6990, and exception is made for hotel companies as to initial investment for the acquisition of articles and materials required for the construction of premises destined to put in operation each project. All additions, enlargements, remodeling or acquisition of equipment will be subject to the payment of sales taxes.

⁷⁶ Check Law No. 8114 published in Alcance No. 53 to La Gaceta No. 131 of July 9 of 2001 and the Comptrollership General of the Republic's decision C-004-2002 of January 7 of 2002.

⁷⁷ Implicitly by Law No. 7509, Law to Real Estate Tax, published in La Gaceta of June 19 of 1995.

ii) Fuel supply at competitive prices not higher than the average established at the international market.

iii) Exemption of tribute and overcharges to import or local purchase of necessary spare parts for the correct function of the airplanes.⁷⁹

c) Aquatic transport of tourists:

i) Exemption of all tribute and overcharges that apply to the import or local purchase of indispensable goods required for construction, enlargement or remodeling of the wharves and other places destined to putting on board and disembarkment of tourists, as well as for the construction and maintenance of marinas, bathing resorts and aquariums destined to attention of tourism, supposing that the goods imported are not manufactured in the territory of signatory countries of the Agreement of the Central American Tariff and Customs system, on competitive conditions as to price, quality, and quantity, as decided by the Ministry of Economy, Industry and Commerce.⁸⁰

ii) Accelerated depreciation in conformity to Law on Income Tax.

iii) Exoneration of all tribute and overcharges, except for customs duties to imports which is fixed at twenty per cent (20%), import or local purchase of aquatic ships destined exclusively for tourist transport of passengers, for which it should count with adequate facilities for landing, embarkment and disembarkment of passengers.⁸¹

Tourist coasting trade activities in any of its forms, from Costa Rican port to port, will be only and exclusively reserved to yachts, tourist cruise ships and similar, under national flag.

Classification of ships, their characteristics and verification requirements about the use and destination of exonerated goods will be fixed by Executive Decree.

ch) Receptive Tourism Travel Agencies dedicated exclusively to this activity.

i) Exoneration of all tribute and overcharges, except for customs duties for the import of vehicles for collective transport, with a minimum capacity of fifteen persons. If the fee according to the value of the tax is higher than five per cent (5%) it will be exonerated of the corresponding taxpaying obligation corresponding to such tariff excess.⁸²

⁷⁸ Check Law No. 8114 published in Alcance No. 53 to La Gaceta No. 131 of July 9 of 2001 and the Comptrollership General of the Republic's decision C-004-2002 of January 7 of 2002.

⁷⁹ Amended by Law No. 8114 that annuls all exemptions to the payment of sales taxes contained in this article 7 of Law No. 6990.

⁸⁰ Amended by Law No. 8114 that annuls all exemptions to the payment of sales taxes contained in this article 7 of Law No 6990.

⁸¹ Amended by Law No. 8114 of July 4 of 2001, as to sales tax

⁸² Amended by Law No. 8114 of July 4 of 2001, as to sales tax

d) Vehicles' rentals to foreign and national tourists.

i) Exonerate fifty percent (50%) of the total amount resulting from applying the standing taxes affecting the import of automobiles destined exclusively to leasing them to tourists.⁸³

These vehicles must be duly authorized for circulating, by a permit granted by the Costa Rica Tourist Board.

They should also be identified with a corresponding plate and special sticker extended by the General Direction for Automotive Transport of the Ministry of Public Works and Transport.

Vehicles exonerated by this law have to be renewed, maximum every three years.

Service and fees will be regulated by the Costa Rica Tourist Board.

The improper use of the vehicles mentioned will imply automatic canceling of the license indicated and respective commercial patent of operation. Likewise, canceling of all taxes not covered will be exacted, as well as an imposition of a fine equivalent of ten times the exonerated amount.

Transfer of goods exonerated by this Law, done by beneficiary tourist companies to third parties not counting with equal legal benefits, at any time, may only be done validly, by such companies, by previously paying the taxes and overcharges that correspond. The Executive Power in the Regulation of this Law will establish adequate controls for the correct application of the norms contained in this article.

Article 8.- Annulled.⁸⁴

Article 9.-Competent authorities will match the fees or rates for rendering services and procedures affecting the ships denominated tourist cruise ships and tourist yachts that moor on Costa Rican ports, to those applying to ports in other countries of the region.

Article 10.-The Central Bank of Costa Rica will include the resources for development of tourist activity in their annual credit program.

Article 11.-Annulled⁸⁵

Article 12.-The Costa Rica Tourist Board and the Ministry of Public Treasury will investigate every aspect related to compliance of contracted obligations of companies or natural persons, in virtue of the concession of benefits and incentives of the present law.

⁸³ Amended by Law No. 7293 of March 31 of 1992, partly annulled by Law no. 8114 of July 4 of 2001, in reference to the sales tax.

⁸⁴ Annulled by Law No. 8114 of July 4 of 2001, published in Alcance No. 53 to La Gaceta No. 131 of July 9 of 2001.

⁸⁵ Annulled by Law 7293 of March 31 of 1992

Article 13.-Non compliance in the quality level and prices of the corresponding services corresponding to the class granted by the Costa Rica Tourist Board, will give it the right to cancel the benefits and incentives granted, with the consequent legal implications implied by such cancellation.

Article 14.-Natural or legal persons importing construction materials, furniture, equipment or any other articles that have been exonerated resorting to the present law, and who sold, rented, lent or negotiated in any way, or gave a different use to what justified their exoneration or benefit, will receive a sanction with a fine equal to ten times the value of the exoneration, without detriment to any other sanctions of penal or civil order that may apply.

Article 15.-With the purpose of achieving the main goal of this law, and so that Costa Rica is known internationally, the Ministry of Foreign Relations, through its Foreign Service, is obliged to overcharge its representation of the Costa Rica Tourist Board in one of the existing public officials, of diplomatic or consular agencies indicated by the Costa Rica Tourist Board. This functionary will be in charge of the promotion and tourist information on Costa Rica, and will receive training and preparation by the Costa Rica Tourist Board.

Article 16.-This law does not affect the scope of law No. 6043 of March 2 of 1977, as concerns public areas. On the restricted area, the commission, in very qualified cases, may authorize the necessary premises for tourism. Municipalities will continue receiving the respective taxes.

Article 17.-Interpret authentically the law on maritime land area No. 6043 of March 2 of 1977 in the sense that all concessions granted over the restricted area, based on this law, may not ban public access to the inalienable area of fifty meters, save if such access is possible by a route destined to this purpose.

Article 18.-The Costa Rica Tourist Board is exonerated of all payment of customs duties and all types of internal taxpaying, for the import or local purchase of equipment and materials for tourist promotion, computer equipment and transport vehicles necessary to carry out its activity. Exonerated vehicles may not be higher than two thousand cc.

Article 19.-The Executive Power will rule over the present law in a term of sixty days.

Article 20. - In effect from its publication.

Transitory I: Tourism companies having valid industrial contracts may take advantage of the benefits of this law, in those aspects not contemplated in their present contract, prior signature of the tourist contract.

