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Inactive companies must now file a 2020 tax return

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Costa Rica's tax department finally made up its mind about what to do with inactive companies. Starting this year, all inactive entities will be required to file a tax return, Form D-135, due March 15, 2021, and yearly thereafter. It is a new tax return where assets, liabilities and equity must be reported using ATV, the Administración Tributaria Virtual, the country's online digital tax system.

An inactive company is one that does not do business and only exists to hold assets or for other reasons other than producing revenue. The tax authority made up a new tax identifier for them, 960113. In the past, these types of companies were not required to file tax returns as other businesses do.

The government has been off and on regarding tax returns for these types of structures. Last [May](#) this writer said they were on, then reported in [June](#) they were off again. Now it appears they are on for good with their public notification regarding the new requirements in the official newspaper, La Gaceta, Dec. 20.

Remember, the Form D-140 from 2017. Its back. Some people filed the document as required by law, but many did not. The tax department is giving everyone one last chance to do so. Here are the new filing deadlines



based on a company's cédula jurídica or tax identification number:

- Cédulas ending in 1 and 2 Jan. 31
- Cédulas ending in 3 and 4 Feb. 29
- Cédulas ending in 5 and 6 March 31
- Cédulas ending in 7 and 8 April 30
- Cédulas ending in 9 and 0 May 31

For expats who are not residents with a DIMEX card, filing a Form D-140 requires a trip to the tax office because an N.I.T.E. number must be assigned to them. This is special tax code for those who are not citizens or residents. For everyone else, a D-140 can be filed or modified online through ATV.

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ATV is the center of Costa Rica's new tax system. It is simple to use and easy to learn. Everything is in Spanish, but turning on the "translate into English" option on most modern browsers converts almost all the content on the site into English.

The problem filers are going to have with Form D-135, is what to put on the return when it comes to assets. Property values in Costa Rica are all over the place. There is a fiscal value recorded at the Registro Nacional, another value generally registered for property taxes at the municipality, a cost basis, an appraised value, and a market value. What is one to use?

Frankly, since this is a new rule published less than a month ago, no one really seems to know the answer. The current scuttlebutt from the financial and legal community is to be cautious when filling out the form. It is designed to set a foundation for future taxes and assessments. One in particular is [capital gains](#).

For years, investors have enjoyed reeling in their profits on property investments without having to pay capital gains. That has all changed with Costa Rica's new fiscal plan, Law 9635. The country wants its cut of the action. The only way it can enforce getting paid it to know more about what is going on. Forcing property owners who hold their assets in inactive companies to report their holdings is a good start in obtaining more tax revenue.

Since a tax return for an inactive company is now a fact, people with one who have a Costa Rica cédula or DIMEX card should log into ATV and be sure their information is correct before the end of the new deadline for filing and

modifying the D-140. ATV is located on the [Hacienda website](#).

New users should select the option "Crear cuenta de usuario." Remember, the trick for English-only speakers, use Google Translate and the browser with convert everything into English instantly. Be sure to have a Costa Rica legal identification card handy. Expiration and birth dates are required to obtain an account.

For those who cannot use the online system to register should plan a trip the tax department at the earliest possible time to comply with the deadline and received the special N.I.T.E. number needed to use the system.

In summary, everyone will need to file a tax return for 2020. People with an active company will file the D-101, the normal form, and those with an inactive entity will use the D-135. The latter return is to report assets, liabilities, and equity, which is the difference with the first one. The information reported will be used in the future to control capital gains taxes and set a basis for other assessments.

Clearly the doors once open in Costa Rica to make extra money without paying taxes are closing fast. The directive of Dec. 20 regarding inactive companies ends one of the biggest loopholes, holding assets without anyone knowing about them, selling them for a profit in some cases without the need to pay the government anything.

Editor's note: Garland M. Baker is a 48-year resident and naturalized citizen of Costa Rica. His team solves problems for expats. Reach him at info@crexpertise.net. Baker has undertaken the research leading to his articles with A.M. Costa Rica. Find the collection at crexpertise.info. A free reprint is available at the end of each piece. Copyright 2020. Use without permission prohibited.

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