



# 2fera

Measures taken in Costa Rica  
during COVID-19 times.

# Costa Rica

## Immigration

- Immigration will not receive new applications under any category beginning March 17th, 2020, until May 17th, 2020.
- The validity of submitted certified documents and deadlines to file documents will be extended until July 17th, 2020.
- DIMEX appointments for first-time issuances and renewals can only be made through the BCR and the Costa Rican Postal Service. Those that must be processed exclusively by the Immigration Department will have an extension for obtaining the DIMEX until July 17th, 2020.
- For those who entered Costa Rica as a tourist on or after December 17th, 2019, the validity of their tourist visa will be extended until May 17th, 2020.
- Consulates will not grant consular visas to enter the country between March 17th, 2020, and May 17th, 2020.
- On April 6th, 2020 the Costa Rican Authorities extended the cancelation of the immigration status to those residents leaving the country until April 30th, 2020, in order to avoid the spread of the COVID-19 virus. The prohibition for tourists to enter Costa Rica was also extended until the same date.

## Contracts

- Fortuitous events and/or "force majeure" are unforeseeable and / or inevitable situations, external to a person, that make it impossible for him to fulfill his obligations, even by taking all cautionary measures.
- Both are legally considered as an exemption of liability, which may allow an obligated party to stop fulfilling their contractual obligations.
- The emergency of COVID-19 can be considered as a fortuitous event or "force majeure", unpredictable and inevitable, since the Government Authority has issued mandatory orders that restrict or limit the regular operation of companies, leading to a possible temporary suspension or termination of contracts.
- It is advisable to review the signed contracts and analyze them in order to determine whether a renegotiation, potential compensation for non-compliance, application of penalty clauses, suspension or application of insurance policies, among others, is possible.

## Tax: Approval of the Fiscal Relief Law

- VAT and Excise Tax for the months of March, April, and May must be declared normally but may be paid by the taxpayer until December 31st, 2020, without interest and fines.
  - The second Income Tax partial payment may be deferred up to the end of the year 2020, with certain exceptions.
  - For the nationalization of imports made on April, May, and June 2020, payment of customs duties may be deferred up to the end of the year 2020 with certain exceptions.
- Commercial leases for the months of April, May and June, are exempted from VAT.
- This law does not impact property tax and real estate capital gains tax.

## Tax: tax moratorium to tourism companies

- Last March 31st, the Costa Rican Tourism Institute approved a moratorium of the 5% tax to flight tickets and \$15 fee to every tourist entering Costa Rica, from April through July 2020, to support tourism companies from the impact COVID-19 has generated in this industry.
- Additionally, the ICT will postpone for three months all administrative and judicial collection processes for the payment of those taxes from March through June.
- Companies shall expressly apply for the moratorium benefit. If approved, the company may pay its taxes on or before November 30th without interests.

## Labor

### Alternatives suggested by the MTSS:

- Send employees on vacation.
- Implement teleworking to prevent the spread of the virus and as a measure to continue providing services and paying wages.

### Suspension of labor agreements

- It would imply the suspension in the functions and, therefore, the payment of the salary during a certain period.
- Requires prior authorization from the MTSS.

### Law to reduce working shifts

- Reduction of working hours of up to 50% if business income decreases by 20% and 75% if the company's income decreases up to a 60%.
- The decrease in wages will be made in the proportion in which the working hours are decreased.
- This reduction cannot be applied to women who are breastfeeding, on maternity or disabled people, while their condition persists.
- The possibility for the employer to appeal is not established.

### Measures implemented by the CCSS (Costa Rican Social Security System)

- Possibility of adjusting settlement payment agreements with the CCSS.
- Agreements with employers and independent employees who have debts with CCSS as of February and during these months so that employers only have to pay the contributions of the Employee Protection Law and independent employees must only give an initial payment of 5% of the arrears. This will be implemented until June 30th, 2020.
- Reduction to 5.5% of interest rates for settlement payment agreements until August 31st, 2020.
- Postpone collection efforts to employers and independent employees until June 30th, 2020.
- Reduction to 25% of the Minimum Tax Base in force in health and pension insurance.
- Employees who present symptoms can resort to the Costa Rican Social Security Fund to be ruled by the doctors and subsequently enjoy the disability license.

## Banking

### Measures implemented by banks in Costa Rica

- **Decrease in interest rates according to the conditions of each credit.**
  - Lower interest rates to reduce the burden on borrowers.
  - State banks are going to start reducing the interest rate on loans.
  - Some private banks are going to proceed with the lowering of the interest rate.
- **Credits/Loans Term Extension.**
  - Extend loan terms to reduce debtors' cash flow needs.
  - Depending on the income that the debtors will have in the coming months, the banks will extend the terms as much as possible.
  - Each debtor must approach his or her bank to consult about the extension of the term.
- **Grace Period related to payment and/or interest for the time that is necessary.**
  - Grant grace periods for the payment of principal or interest.
  - This measure is the one interest debtors the most, and of which private and public banks have published that they are going to use more.
    - For personal loans, mortgages, small and medium-sized companies (Pymes), credit cards, most banks are choosing to waive monthly payment for the next two or three months.
    - For business loans, most banks have indicated that they must review each individual case in order to adapt the new conditions to the needs of the company.
- **Extraordinary payments to the principal amount without penalty.**
  - Authorize the debtor to make extraordinary payments to reduce or cancel the amount owed without applying early payment penalties.
  - This type of measure is the one that will be least used since, due to the country's economic situation, few debtors are going to want to make extraordinary payments.

## Public services

### Costa Rican Institute for Water Supply and Sewerage (AyA)

- On Friday, March 20th, the President and the Health Minister signed a directive that urges water operators to not suspend the service due to non-payment of users and to reestablish the service connection that was cancelled due to late payment. This for the next 60 days.
  - The 60 day term may be extendable according to epidemiological conditions.
  - The guideline is aimed to domiciliary, residential, preferential and commercial users of the following service operators: Costa Rican Institute for Water Supply and Sewerage, ASADAS, the Heredia Public Service Company and the municipalities.

## Public services

### ICE

- The Costa Rican Electricity Institute (ICE) granted the ease of payment to its commercial and industrial clients, who will be able to pay 50% of their energy consumption during the months of March, April and May. The collection of the remaining 50% must be paid in equal installments from July to December 2020.
- This benefit will apply to the whole industrial sector; and commercial clients with consumption equal to or greater than 2,000 kilowatt hours per month.
- To apply to this benefit, customers must apply online at the Virtual Electricity Agency at [www.grupoice.com](http://www.grupoice.com), starting next Wednesday, March 25.

## Extension of the sanitary vehicle restriction

- Starting Saturday March 28, the countrywide vehicle restriction is extended during the weekends. The new schedule is from 8:00 pm to 5:00 am, on Fridays, Saturdays and Sundays. From Monday through Thursday it remains from 10:00 pm until 5:00 am the next day.

## Operation restriction for companies that serve the public:

- Every company that provides direct attention to the public cannot operate after 8:00 pm on Friday, Saturday and Sunday.
- Exceptions to this measure are home deliveries of medicines and food.

## Free Trade Zone

- The Customs Authorities and PROCOMER are allowing service companies to transfer computer equipment and furniture necessary for the execution of their services, outside the Free Trade Zone Area.
- The beneficiary companies must keep a proper control and register of all such assets to be transferred, including the assets identification number, the name and identification of employee responsible for such asset, and the address or place of teleworking where the assets will be located. This information shall be properly communicated to the Customs Authorities.
- The Customs Authorities issued resolution number DGA-003-2020 for exporters, also applicable to manufacturers within the Free Trade Zone Regime, aimed to limit the export of certain medical supplies, to prevent the local shortage of provisions required to manage the COVID-19 emergency. This resolution and the application of exceptions is under review.
- The Customs Authorities are temporarily allowing the use of copies as official customs documents instead of originals, provided that companies must still properly maintain originals in file.