

*Overview:*

*The Costa Rica  
Corporation*



*Alfredo Fournier & Asociados*

ABOGADOS Y NOTARIOS

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## **THE COSTA RICA CORPORATION:**

The "Sociedad Anónima" (Corporation) is the Costa Rica's best-known corporate form. The Costa Rican Commercial Code also regulates the Sociedad Anónima.

The Commercial Code does not require a minimum nor maximum number of shareholders, allowing for wholly owned corporations. Also, the shareholders need not be incorporators or members of the board of directors.

Although limited liability companies (LTDA.) and Sociedad Anónima (S.A.) companies are legally similar, S.A. companies are often preferable because they are subject to fewer restrictions. Companies need not rent or own real estate, but it must have a formal address in Costa Rica (often the address of the law firm acting for the company).

### **→ Incorporators**

Two persons are required to form a corporation. Normally, they are members of the firm or the law office setting up the company on behalf of third parties. The incorporators (Suscriptores) are legally bound to subscribe for one share each. However, they return this share by way of the subscriber's resignation letter (Carta de Cesión) to the client after the formation of the corporation.

No special restrictions or requirements apply to foreigners when doing business in Costa Rica, as they may freely own all types of asset (including real estate). Foreign owned corporations have few limitations imposed on them, with one or two exceptions (eg, when applying for a radio frequency).

### **→ Name of the Company**

According to Commercial Code you may register the corporation's name in any language desired as long as a translation is provided, if no translation is possible, if not translatable it will be deemed a fantasy name. However, an addition such as S.A. (Sociedad Anónima), is required.

### **→ Articles of Incorporation**

Most corporations are set up with standard articles of incorporation. The objects are very widely formulated, in order for the company to be able to work as flexibly as possible. Special clauses can (in most instances) be included, but discussion of the wording should be made before incorporation.

### **→ Authorized Capital**

The law does not require a maximum or a minimum of authorized capital. The registration of the corporation's capital is usually made for CR ₡1000 (US \$3.18). Above such capital, the registration fee increases progressively. Therefore, Costa Rica corporations very often are set up with a "standard capital" of CR₡1000.00.



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The authorized capital need not necessarily be paid up, since the law does not require a capitalization of the corporation as a precondition for the incorporation. A relation between the company's capital and its assets is not required.

#### **Shares**

The corporation is normally registered with one thousand per value shares of CR¢1.00. It is possible to determine shares of various types (preferred shares, voting shares).

The shares of the company may be common and nominative, which have all the rights afforded by Law or there may also preferred and nominative, which means that the shares can have limitations or advantages of different natures with respect to common and nominative shares while having all the rights afforded by Law. The preferred share restrictions or advantages may be in voting and others.

#### **Board of Directors**

The Commercial Code provides that at least three natural persons shall be members Board of Directors, President, Treasurer and Secretary, who are also the officers of the corporation. The members of the Board may be citizens of any country and need not be residents of Costa Rica, nor live in Costa Rica.

According to Article 155 of the Commercial Code, the shareholders can revoke the appointment of board members and appoint new members. This need not be expressly provided for in the articles of association.

#### **Officers**

The President, Treasurer, Secretary must be appointed. The members of the Board must simultaneously take over the officer's functions. No person may hold more than one function. Also, a Controller must be appointed, as a delegate on behalf of the stockholders..

#### **Resident Agent**

The Commercial Code provides that an attorney registered in Costa Rica must act as agent of the corporation to receive notifications and summons. Such an attorney, however, may not act independently from the corporation. Alfredo Fournier & Asociados acts as Resident Agent in all our Costa Rica corporations.

#### **Right of Signature**

It is necessary to determine the signature rights of the officers and the directors at the time of incorporation. Regarding powers of attorney, Costa Rican law provides two types of powers of attorney: the official registered power of attorney for all business and the non-registered special power of attorney for certain actions. Upon request, Alfredo Fournier & Asociados can supplies the desired power of attorney within a short time.



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#### **Liability**

The reason for creating the legal person "Sociedad Anónima" is to limit the company's liability to the company's assets and to exclude any personal liability of shareholders, board members, officers and holders of power of attorney.

#### **Term and Documents of Incorporation**

After having received the written order (by e-mail or fax), Alfredo Fournier & Asociados will establish the desired Costa Rica Corporation for you within 24 hours. Within 2 to 3 days you will receive from us a confirmation of incorporation. With that you may already arrange the first preparations for your company. The company's registered documents from Costa Rica you will receive from Alfredo Fournier & Asociados within approximately 5 to 6 weeks. The official Public Deed is written in Spanish. Upon request, Alfredo Fournier & Asociados will send you an English, French or German translation.

#### **Authentication**

Since Costa Rica has diplomatic and consular relations with most countries in the world, documents can be authenticated for use in all countries.

#### **Shelf Companies**

Shelf companies are corporations that have been established on stock. Shelf companies are recommended if you need the documents of the company immediately. Shelf corporations are always set up with standard articles of incorporation, with Costa Rican board members and with an authorized capital of CR¢1000.

ALFREDO FOURNIER & ASOCIADOS produces a written declaration for each of these companies proving that the company has no liabilities or encumbrances.

#### **Changes and Dissolution of Companies**

Alfredo Fournier & Asociados executes for you all kind of statutory changes (board of directors, capital, and name) as well as dissolution of companies.

A company may be liquidated at any time. A unanimous shareholders resolution is necessary, and all due taxes (usually income tax) and obligations to third parties must be paid. Priority is given to paying severance to employees..

Article 201 of the Commercial Code provides that a company must be dissolved if it loses 50% of its capital, unless the shareholders agree to refund the company or to reduce its capital proportionally.



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#### **Transfer of Domicile**

The Costa Rican Commercial Code authorizes foreign companies to transfer their domicile to Costa Rica. Many companies have chosen to do so because of the ease of operating from Costa Rica and the fact that Costa Rica is not known as a tax haven.

#### **Currency Exchange**

There are no exchange regulations on the purchase of goods or services from overseas. However, such goods and services will be subject to import duties, unless the importing company is incorporated under one of Costa Rica's special regimes (eg, the free zones regime). There are no exchange controls or regulations on the repatriation of the company's net assets after the liquidation of the company. Repatriation of assets will be subject to a 15% withholding tax.

All types of agreement may be specified in foreign currency, including loans to the company by foreign financial institutions and by the parent company. In general, trade with the parent company is not subject to any special restrictions.

#### **Costs**

The incorporation of each company in Costa Rica with all the above possibilities is US\$1200.00, this fee includes, incorporation of the company, issue of company identity card (cedula juridica), company books (accounting and legal) duly registered at Costa Rican IRS, Registration of inactive company with the Costa Rican IRS, registration and first transfer of shares of the company, resident agent of the company for the first 3 years, all taxes and registration fees of the company including initial publication.