

August 22, 2018

We would like to remind you about the obligation to implement electronic invoicing as the only mechanism accepted by the Tax Administration for the control of taxable income and deductible expenses.

The Law to improve the fight against tax fraud establishes that all taxpayers must have electronic means to register their transactions, in accordance with the requirements established by the regulations. Transitory VII of this Law provides a period of up to 24 months, counted from the entry into force of the law, to establish electronic means to record transactions and receipts of purchase and sale transactions, accounting records and other means required for tax control.

Since 2016, Tax Administration has issued a series of guidelines towards this electronic billing mechanism. This is how, gradually, "Large Taxpayers" (*Grandes Contribuyentes*) and some productive sectors such as the health sector, lawyers, architects and other independent professionals have been forced to implement electronic invoicing.

Resolution DGT-012-2018 established that all taxpayers who have not been previously incorporated into the electronic invoicing system must be incorporated in a gradual manner according to the last digit of the number of their identity card, as shown below:

- Last number of the Identification Number: 1, 2, 3 → Obligation begins: September 1, 2018
- Last number of the Identification Number: 4, 5, 6 → Obligation begins: October 1, 2018
- Last number of the Identification Number: 0, 7, 8, 9 → Obligation begins: November 1, 2018

By December 1, 2018, the entire economy is expected to be operating with electronic invoicing.

The penalties for not issuing electronic invoicing in the terms established for each sector range from three base salaries (CRC ₡1,293,000 or approximately USD\$2,288) to 100 base salaries (CRC ₡43,100,000 or approximately USD\$76,300).

Additionally, those expenses not covered by electronic invoices will not be deductible for purposes of calculating the income tax.

Be prepared for the proper fulfillment of this obligation! Take into account that the implementation of the electronic invoicing system can imply a series of important changes that must be handled with adequate anticipation to avoid unnecessary setbacks.

Dentons Muñoz – Costa Rica Tax Practice Area can offer advice in relation to the obligations applicable to your case.

Your Key Contacts



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