

# Congress approves Tax Relief Project COVID-19

March 18, 2020

Yesterday, March 17, 2020, the Costa Rican Congress approved, in first debate, the Tax Relief Project - COVID-19, which provides a number of tax measures intended to mitigate the effects of the outbreak in the local economy.

Below please find some of the proposed measures:

- **Deferral on the payment of Value Added Tax:** Value Added Tax payments due on April, May and June, 2020, can be deferred until December 31, 2020, without the application of any interest or penalties. The obligation to file Value Added Tax returns will remain unaltered.
- **Partial payment deferral (installments):** Taxpayers will be authorized not to make partial Income Tax payments in April, May, and June, 2020. The deferral does not apply to taxpayers with a special fiscal period previously approved by the Tax Administration. The deferral will not apply to other taxes regulated in the Income Tax Law (e.g., salary withholding, withholdings of remittances abroad, among others). Consequently, filings and payments must be made as provided by the current applicable regulations.
- **Deferral of the payment of Selective Consumption Tax:** In the case of taxpayers registered at the Taxpayers Registry, the Project proposes a deferral of the payment of the tax for the months of April, May, and June 2020. The obligation to file the tax returns remains unaltered and the payment of the tax is postponed until December 31, 2020, without interest or charges.
- **Deferral of payment of custom duties:** In the case of taxpayers registered in the Taxpayer Registry, they will be able to nationalize merchandise without paying tariffs during the months of April, May and June, 2020.
- **Extension of the Deferral:** Finally, the Executive Branch was authorized to extend the deferral for an additional month, to have tax payments due in July be paid by December 31, 2020.
- **Exemption on commercial leases.** An exemption from the payment of 13% of the Value Added Tax was approved for the months of April, May and June, 2020, for the leases paid in commercial activities, as long as the lessor and lessee are registered at the Taxpayers Registry.
- **Validity:** The publication is expected to take place by the end of the month, in which case, the measures listed above would enter into force in April.

For this initiative to become a law, Congress must vote this a second time.

Dentons Muñoz remains at the forefront of regulatory developments in this field and its implementation by the competent authorities. For assistance and information on the scope and implications of these regulations, please feel free to contact the experts at our Tax Department at your convenience.

# Your Key Contacts



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