

Law to Attract Workers and Remote Service Providers (Digital Nomads Law - DNL)

1. Brief Mention of the Provision

On September 1st, 2021, Law 10.008 came into force. This Law allows foreigners who provide remunerated services remotely for a legal entity abroad to remain in Costa Rica for one year, by creating a new immigration category known as Remote Employee or Provider of Remote Services. As we can see, there are two categories: individuals in an independent relationship and employees following instructions from their employer.

The law defines a worker or remote service provider as a foreign person who provides remunerated services remotely, subordinate or not, using computer, telecommunications, or similar means, in favor of an individual or legal person who is abroad, for which he/she receives a payment or remuneration from abroad.

To be eligible for the visa, the individual must comply with the requirements stated in article ten of the law, such as proof of stable remuneration with a minimum of \$3.000 monthly (in case the employee is arriving with their family the income must be equal or greater to \$4.000 monthly), private medical insurance that covers the stay, and payment of a sum the Government establishes for the visa.

The visa will grant the individual the following benefits:

- Legal residency in Costa Rica for one year, with the option to request an extension for another year.
- **Income Tax exemption for the amounts filed by them as income.**
- Exemption of all import taxes of basic personal computer, technology, telecommunications, or similar equipment necessary for the beneficiary to carry out their work in the country.
- The foreign driver's license of the beneficiary will be valid for driving in Costa Rica.
- Opening savings account in the national banks of Costa Rica.

2. Income Tax Treatment for Employees

The DNL aims to attract remote workers for long-stay visitations in Costa Rica. To achieve that, the law offers several benefits, one of which is the exemption of income tax:

ARTICLE 16- Benefits related to income tax: *The beneficiaries will have total exemption from the income tax, defined in Title I of Law 7092, Income Tax Law, of April 21, 1988. In no case will the beneficiaries be considered as habitual residents of the country for purposes, nor will the income received from abroad be considered from a Costa Rican source. This benefit will not be applicable to the beneficiary's family group. If any member of the family group intends to obtain this benefit, they must apply and comply with all the requirements of the direct beneficiary.*

According to the above, it is important to clarify that the employees will be subject to Salary Income Tax (employees' taxation Title II of the Income Tax Law) another tax regime, thus, the DNL does not include an exemption for this regime although the DNL mentions, "employees," therefore the income derived from this relationship should not be exempt. I think it was an accuracy omission of the DNL in this regard.

Thus, if the employee is deemed as non-domiciled person (they remain less than 183 days in Costa Rica), the income would be treated under the remittances abroad tax 10%, article 59 ITL.

3. Income Tax Treatment for Non-employees

In case of the non-employees, they are subject to professional (individuals) income tax regime as per the Title I, therefore in this scenario and if the person meets with the DNL's requirements, they will be exempt of this tax from the material perspective, but the DNL did not mention anything about the formal perspective, thus, there would not be exemption regarding filing tax returns.

4. Social Charges Treatment

The DNL does not mention the treatment for the social security charges; at this time we are waiting to see if the Social Security Institute will issue something, and therefore either employees or non-employees will be subject to pay it.

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