

# The 10-step Costa Rica Real Estate Buying Guide For Foreign Buyers

## 1. Can a foreigner purchase Costa Rica real estate?

Yes, any foreigner, resident or non-resident has the same rights as a citizen, except for voting rights in residential and municipal elections and therefore can purchase and legally own real estate in Costa Rica.

There are only two exceptions:

- A foreigner cannot own 100% of a property in a Maritime Zone.
- A foreigner cannot own any IDA (now INDER) property, in which land is donated to poor farmers.

## 2. Property Titles and Concession Land

Most properties in Costa Rica have title. All land and properties located within 50 meters of the high tide line is public and protected. The next 150 meters adjacent to this zone is called the Maritime Zone (ZMT).

This ZMT land is a concession land granted by the municipality and a non-citizen can own only up to 49% of the concession. Only very few properties within the ZMT have a real title in Costa Rica. Concessions can be verified in municipality records.

Agricultural property that was donated to farmers by the former IDA (now INDER) cannot be sold until after the farmer has owned the property for 15 years.

In general, there is very little untitled land left in Costa Rica, but it is possible you will find some land that is in the "possession" of the people who live on it (this is different from territory invaded by squatters) who can request title after 10 years.

All properties listed on our portal have verified titled registration number (known as folio real or FINCA number). For further details of verifications, please visit Costa Rica National Registry

<https://www.rnpdigital.com> Go to Free Consultation (Consultas Gratuitas) -> Query by Property Number (Consultas por Numero de Finca)

## 3. Title insurance

Title insurance is available in Costa Rica, but it is almost never used by the local population in their real estate purchases. If you are interested in getting title insurance for your property purchase, Stewart Title Costa Rica is currently the

most renowned company to provide title insurance policies in Costa Rica; they will charge a one-time fee of around 0.5% of the property value.

#### **4. Restrictions and zoning**

Since Costa Rica has so many protected areas for nature conservation, you will find setbacks from rivers and forests, which are always annotated in the [National Registry](#). Many cities have a zoning plan which should be checked before you buy any land. The zoning will show if it is agricultural or residential and what the restrictions are. Always request a copy of the cadaster plan (survey or plot map) where you can see any restrictions. Setbacks from rivers should be requested from INVU.

#### **5. National Register**

All titled property, INDER property, and concessions under ZMT are registered in the National Registry and all registered surveys are to be found in the National Cadaster, part of the National Registry.

The National Registry is now almost completely digital and certifications of a property, the powers of attorney of a corporation and a copy of a survey can be bought online on the website <http://www.rnpdigital.com/index.htm> after registering on this site.

#### **6. Remote closing**

In Costa Rica with the SPECIAL power of attorney granted to a trusted person, this person will be able to sign all the closing documents on your behalf, so you don't need to be in the country during the closing time.

#### **7. Register title in your name, a corporation or other legal entities**

When you purchase Costa Rica real estate, you can register the purchase in your name. In case you would like to share the property title with your spouse, another family member or business partners and you don't want to allow the other to be able to sell without your consent, you can share the title in equal parts as a "right" or "derecho." The title will show, for example, 1-345678-001 and -002, with as many partners as you'd like: -003, -004, -005, etc.

You can also purchase any Costa Rica real estate in a corporation such as a Sociedad Anónima (S.A.) or a Sociedad Responsabilidad Limitada (SRL) – equivalent to the LLC. Ask your attorney for advice on the legal part of the transaction.

Another way to purchase your property is in the name of your retirement fund or the corporation that represents it, such as an IRA or 401(k).

#### **8. Real estate title transfer costs**

The general custom is for the buyer and seller to share equally in the closing costs. This can be modified by agreement and usually depends upon the particular transaction. Closing costs involve three fees: government taxes and fees, notary fee, and mortgage costs, if any.

**Government taxes and fees** includes a real estate transfer tax of 3%; a registration fee of 0.5%; and documentary stamps (agrarian, hospital, municipal, bar association, national archive and fiscal stamps) totaling approximately 0.55%.

**Notary fees:** the notary who drafts the transfer deed is entitled by law to charge 1.50% of the first one million colones of the sales price, and 1.25% on the remaining balance.

**Mortgage costs.** It is customary for the person who is receiving financing to pay the costs of drafting and registering the mortgage instrument. A mortgage can be created simultaneously at the time of sale by adding a mortgage clause in the transfer deed. Or, a separate mortgage instrument can be drafted. Both have separate costs. A mortgage within a transfer deed pays registration fees of 0.25% in registration fees and approximately 0.53% in documentary stamps. The notary will also charge for drafting the mortgage instrument and that fee can range from approximately 0.52% to 1.25% of the mortgage amount.

The buyer should be aware that Costa Rican real estate transactions commonly operate on a two-tiered system. Since Costa Rican properties have a low property tax appraisal base in relation to market value, it is a customary practice to run property sales through at the registered value, which may be substantially less than the actual sales price of the property. In such a case, all transfer taxes and fees discussed above would apply to the registered value as opposed to its sales price, except for the notary fee. Buyers should consult their attorney about the potential risks of this practice.

## **9. Annual property taxes**

Annual property tax in Costa Rica is 0.25% of the taxable value of the property. For a new owner, that value is the purchase price.

Luxury tax: For homes with construction worth more than US\$225,000 (approximately) there is an additional solidarity tax for social housing, also known as the luxury home tax. The tax is calculated on a sliding scale from 0.25% –

0.55% depending on the property value and must be paid each year before January 15<sup>th</sup>. For more details about Solidarity Tax, see [here](#).

## **10. Utilities**

Once the deed is registered in the National Registry, your attorney can supply you with an “estudio de registro” proving you own the property. With that and your residency ID, you can go to the power company, the water company, and the phone company to change the services to your name. You need to be a resident to do so. If you’re not, I recommend you purchase the property in a corporation and have a lawyer’s runner do all the changes at the utility companies for you. It is also quite customary to leave all the utilities in the former owner’s name

For any additional questions, please contact us:



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