

Costa Rica

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Costa Rica 2022

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1. Gross wage earnings		6 328 251	9 445 151	15 773 402	6 328 251
2. Standard tax allowances					
Basic allowance		0	0	0	0
Married or head of family		0	0	0	0
Dependent children		0	0	0	0
Deduction for social security contributions and income taxes		0	0	0	0
Work-related expenses					
Other		520 130	776 314	1 296 444	520 130
Total		520 130	776 314	1 296 444	520 130
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		5 808 121	8 668 837	14 476 958	5 808 121
5. Central government income tax liability (exclusive of tax credits)		0	0	412 096	0
6. Tax credits					
Basic credit		0	0	0	0
Married or head of family		0	0	0	0
Children		0	0	0	38 640
Other					
Total		0	0	0	38 640
7. Central government income tax finally paid (5-6)		0	0	412 096	0
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		664 466	991 741	1 656 207	664 466
Taxable income					
Total		664 466	991 741	1 656 207	664 466
10. Total payments to general government (7 + 8 + 9)		664 466	991 741	2 068 303	664 466
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	0
Total		0	0	0	0
12. Take-home pay (1-10+11)		5 663 785	8 453 410	13 705 099	5 663 785
13. Employer's compulsory social security contributions		1 676 987	2 502 965	4 179 951	1 676 987
14. Average rates					
Income tax		0.0%	0.0%	2.6%	0.0%
Employees' social security contributions		10.5%	10.5%	10.5%	10.5%
Total payments less cash transfers		10.5%	10.5%	13.1%	10.5%
Total tax wedge including employer's social security contributions		29.2%	29.2%	31.3%	29.2%
15. Marginal rates					
Total payments less cash transfers: Principal earner		10.5%	10.5%	19.7%	10.5%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		29.2%	29.2%	36.5%	29.2%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Costa Rica 2022

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
	Number of children	2	2	2	none
1. Gross wage earnings		9 445 151	15 773 402	18 890 301	15 773 402
2. Standard tax allowances					
Basic allowance		0	0	0	0
Married or head of family		0	0	0	0
Dependent children		0	0	0	0
Deduction for social security contributions and income taxes		0	0	0	0
Work-related expenses					
Other		776 314	1 296 444	1 552 628	1 296 444
	Total	776 314	1 296 444	1 552 628	1 296 444
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		8 668 837	14 476 958	17 337 674	14 476 958
5. Central government income tax liability (exclusive of tax credits)		0	0	0	0
6. Tax credits					
Basic credit		0	0	0	0
Married or head of family		29 160	29 160	29 160	29 160
Children		38 640	38 640	38 640	0
Other					
	Total	67 800	67 800	67 800	29 160
7. Central government income tax finally paid (5-6)		0	0	0	0
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		991 741	1 656 207	1 983 482	1 656 207
Taxable income					
	Total	991 741	1 656 207	1 983 482	1 656 207
10. Total payments to general government (7 + 8 + 9)		991 741	1 656 207	1 983 482	1 656 207
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	0
	Total	0	0	0	0
12. Take-home pay (1-10+11)		8 453 410	14 117 195	16 906 820	14 117 195
13. Employer's compulsory social security contributions		2 502 965	4 179 951	5 005 930	4 179 951
14. Average rates					
Income tax		0.0%	0.0%	0.0%	0.0%
Employees' social security contributions		10.5%	10.5%	10.5%	10.5%
Total payments less cash transfers		10.5%	10.5%	10.5%	10.5%
Total tax wedge including employer's social security contributions		29.2%	29.2%	29.2%	29.2%
15. Marginal rates					
Total payments less cash transfers: Principal earner		10.5%	10.5%	10.5%	10.5%
Total payments less cash transfers: Spouse		10.5%	10.5%	10.5%	10.5%
Total tax wedge: Principal earner		29.2%	29.2%	29.2%	29.2%
Total tax wedge: Spouse		29.2%	29.2%	29.2%	29.2%

The national currency is the Costa Rican colon. In 2022, in average the CRC 644.765 equalled a 1 US dollar. The average worker earned CRC 9.445.151 on an annual basis.

1. Personal income tax system

The fiscal year begins on January 1st and ends the following December 31th.

1.1. Central government income tax

The Costa Rica Income tax is applied to the income in cash or in kind, continuous or occasional, from any Costa Rican source perceived or accrued by individuals or legal entities domiciled in the country;

Costa Rica's labor legislation provides for payment of an additional salary or "bonus" paid in December of each year, the benefit is determined on the monthly average wage of the worker's other concepts be paid as overtime. This concept is not subject to social security contributions and is not taxed on the income tax.

Exempt income:

The most noteworthy types of exempt income include:

- Inheritances, bequests and other forms of inherited property.
- Lottery prizes.
- The annual bonus paid up one twelfth of the annual income.

1.1.1. Tax unit

Domestic natural persons who receive income of Costa Rican source, whether or not they have resided in the country during the respective fiscal period. Resident individuals are also subject to social security contributions to the Costa Rican Social Security Fund (CCSS) and fees to the Popular Bank.

1.1.2. Tax allowances and tax credits

Standard tax allowances and tax credits

- CRC 19 320 for each child in the household.
- CRC 29 160 for the spouse, which can only be claimed by one of the spouses.

Those tax credits are wastable.

Main non-standard tax allowances and tax credits

None.

1.1.3. Tax schedule

The annual income tax schedule is determined on the taxable income according to the following schedule for 2021:

From	Up to	Rate
0	CRC 10 356 000	0%
CRC 10 356 000	CRC 15 204 000	10%
CRC 15 204 000	CRC 26 676 000	15%
CRC 26 676 000	CRC 53 340 000	20%
CRC 53 340 000	Onwards	25%

1.2. State and local taxes

No state or local taxes are levied on wages.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. Employee contributions

Program	Rate (%)
Oldage, disability and death program (IVM)	4.00
Healthcare and Maternity Insurance (SEM)	5.50
Popular Bank Fee	1.00

2.2. Employer contributions

Employers are required to contribute to the following public programs.

Program	Rate %
Oldage, disability and death program (IVM)	5.25
Healthcare and Maternity Insurance (SEM)	9.25
Popular Bank Fee	0.50
Unemployment insurance	3.00
Family allowances	5.00
Complementary pensions	1.50
Learning National Institute (INA)	1.50
Joint Institute for Social Aid (IMAS)	0.50

3. Universal cash transfers

3.1. Marital status-related transfers

None.

3.2. Transfers related to dependent children

None.

4. Recent changes in the tax/benefit system

4.1. Changes to labour taxation due to the COVID pandemic in 2020, 2021 and 2022

None.

5. Memorandum items

5.1. Identification of an average worker

The average worker's wage was calculated according to the official data of the CCSS that represents the official salaries of the formal sector for year 2022, adjusted for the year-on-year growth rate of wages according to the Continuous Employment Survey.¹

2022 Parameter values

Average earnings/yr	Ave_earn	9 445 151	Country estimate
Allowances			
	Basic_al	0	
	Spouse_al	0	
	Child_al	0	
	T_days	365	
	Bonus	30	
Income tax	Tax_sch	0.00	10 356 000
		0.10	15 204 000
		0.15	26 676 000
		0.20	53 340 000
		0.25	
Tax credits	Tax_cr_ch	19 320	
	Tax_cr_sp	29 160	
Employees SSC	SSC_IVM_ee	0.0400	
	SSC_SEM_ee	0.0550	
	SSC_PBF_ee	0.0100	
	SSC_total_ee	0.1050	
	Min_wage	3 915 043	
Employers SSC	SSC_IVM_er	0.0525	
	SSC_SEM_er	0.0925	
	SSC_PBF_er	0.0050	
	SSC_ump_er	0.0300	
	SSC_fam_er	0.0500	
	SSC_com_pen_er	0.0150	
	SSC_INA_er	0.0150	
	SSC_IMAS_er	0.0050	
	SSC_total_er	0.2650	

2022 Tax equations

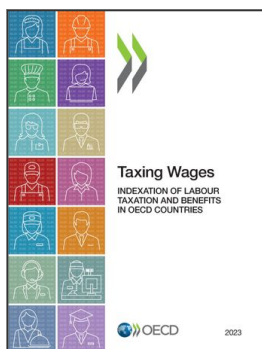
The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	Tax_al	B	MIN(earn/12,earn/T_days*Bonus)
3.	Credits in taxable income	taxbl_cr		-
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc,tax_sch)
6.	Tax credits :	tax_cr	P	IF(Married=1,Tax_cr_sp,0)+ Tax_cr_ch*Children
7.	CG tax	CG_tax	B	Positive(CG_tax_excl-tax_cr)
8.	State and local taxes	local_tax		-
9.	Employees' soc security	SSC	B	MAX(Min_wage,earn)*SSC_total_ee
11.	Cash transfers	cash_trans		-
13.	Employer's soc security	SSC_empr	B	MAX(Min_wage,earn)*SSC_total_er

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Note

¹ At the time of the consultation, the CCSS did not have the necessary systems enabled due to hacking problems. Therefore, it was decided to update the data contingently in this way. The survey is supplied by Instituto Nacional de Estadísticas y Censos.



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