Costa Rica

1. Costa Rica was reviewed as part of the 2017/2018 and the 2018/2019 peer reviews. This report is supplementary to those previous reports (OECD, 2019[1]) (OECD, 2018[2]) .

2. The first filing obligation for a CbC report in Costa Rica commences in respect of reporting fiscal years on or after 1 January 2017.

Summary of key findings

3. Costa Rica's domestic legal and administrative framework meets all applicable terms of reference (OECD, 2017[3]), except for the following:

- It is recommended that Costa Rica complete its definition of "Ultimate Parent Entity" to be in line with the terms of reference.
- It is recommended that Costa Rica amend its rules or otherwise ensures that a CbC report is not filed later than 12 months after the end of the accounting period and not subsequently exchanged more than 15 months after the end of the accounting period with partner jurisdictions.
- These recommendations remain unchanged since the 2017/2018 peer review.

4. It is recommended that Costa Rica take steps to implement the necessary processes and written procedures to ensure that the exchange of information is conducted in a manner consistent with the terms of reference relating to the exchange of information framework. This recommendation remains unchanged since the 2018/2019 peer review.

Part A: The domestic legal and administrative framework

5. Costa Rica has rules in place to implement the BEPS Action 13 minimum standard.

(a) Parent entity filing obligation

6. It is recommended that Costa Rica amend or otherwise clarify that the definition of "Ultimate Parent Entity" applies only to those entities in which no other entities hold an interest[1]. This recommendation remains in place since the 2017/2018 peer review.

(b) Scope and timing of parent entity filing

7. The 2017/2018 peer review included a recommendation to Costa Rica amend its rules on the filing deadline or otherwise ensure that a CbC report is not filed later than 12 months after the end of the accounting period and that is not subsequently exchanged later than 15 months after the end of the accounting period with partner jurisdictions. This recommendation remains in place.[2]

(c) Limitation on local filing obligation

8. No changes were identified.

(d) Limitation on local filing in case of surrogate filing

9. No changes were identified.

(e) Effective implementation

10. No changes were identified.[3]

Conclusion

11. It is recommended that Costa Rica complete its definition of “Ultimate Parent Entity” to be in line with the terms of reference. This recommendation remains since the 2017/2018 peer review.

12. It is recommended that Costa Rica amend its rules or otherwise ensures that a CbC report is not filed later than 12 months after the end of the accounting period and not subsequently exchanged more than 15 months after the end of the accounting period with partner jurisdictions. This recommendation remains since the 2017/2018 peer review.

Part B: The exchange of information framework

(a) Exchange of information framework

13. Costa Rica’s 2017/2018 peer review included a recommendation to continue to take steps to have Qualifying Competent Authority agreements in effect with jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions and with which Costa Rica has an international exchange of information agreement in effect that allows for the automatic exchange of tax information. Bilateral relationships are now in place so this recommendation is removed.

14. As of 31 March 2020, Costa Rica has 54 bilateral relationships activated under the CbC MCAA. Within the context of its international exchange of information agreements that allow automatic exchange of information, Costa Rica has taken steps to have qualifying competent authority agreements in effect with jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions and with which Costa Rica has an international exchange of information agreement in effect that allows for the automatic exchange of tax information.[4] Regarding Costa Rica’s exchange of information framework, no inconsistencies with the terms of reference were identified.

(b) Content of information exchanged

15. Costa Rica does not have procedures in place that are intended to ensure that each of the mandatory fields of information as required in the CbC template are present in the information exchanged.

(c) Completeness of exchanges

16. Costa Rica does not have processes in place that are intended to ensure that CbC reports are exchanged with all tax jurisdictions listed in Table 1 of a CbC reporting template with which it should exchange information as per the relevant QCAAs.

(d) Timeliness of exchanges

17. Costa Rica does not have yet processes in place that are intended to ensure that the information to be exchanged is transmitted to the relevant jurisdictions in accordance with the timelines provided for in the relevant QCAAs and terms of reference.

(e) Temporary suspension of exchange or termination of QCAA

18. Costa Rica does not have yet processes in place that are intended to ensure that a temporary suspension of the exchange of information or termination of a relevant QCAA be carried out only as per the conditions set out in the QCAA.

(f) Consultation with other Competent Authority before determining systemic failure or significant non-compliance

19. Costa Rica does not have yet processes in place that are intended to ensure that the Competent Authority consults with the other Competent Authority prior to making a determination that there is or has been significant non-compliance with the terms of the relevant QCAA or that the other Competent Authority has caused a systemic failure.

(g) Format for information exchange

20. Costa Rica confirms that it uses the OECD XML Schema and User Guide (OECD, 2017[4]) for the international exchange of CbC reports.

(h) Method for transmission

21. Costa Rica indicates that it intends to use the Common Transmission System to exchange CbC reports.

Conclusion

22. It is recommended that Costa Rica take steps to implement the necessary processes and written procedures to ensure that the exchange of information is conducted in a manner consistent with the terms of reference relating to the exchange of information framework. This recommendation remain from the2018/2019 peer review.

Part C: Appropriate use

Appropriate use

23. No changes were identified.

Conclusion

24. Costa Rica is a non-reciprocal jurisdiction and, as such, will not receive CbC reports submitted to tax authorities in other jurisdictions, and will not apply local filing. It is not necessary for this peer review evaluation to reach any conclusion with respect to Costa Rica's compliance with the terms of reference on appropriate use.

Summary of recommendations on the implementation of country-by-country reporting

Aspect of the implementation that should be improved		Recommendation for improvement
Part A	Domestic legal and administrative framework – parent filing obligation	It is recommended that Costa Rica complete its definition of "Ultimate Parent Entity" to be in line with the terms of reference.
Part A	Domestic legal and administrative framework - Scope and timing of parent entity filing – filing date	It is recommended that Costa Rica amend its rules or otherwise ensures that a CbC report is not filed later than 12 months after the end of the accounting period and not subsequently exchanged more than 15 months after the end of the accounting period with partner jurisdictions.
Part B	Exchange of information framework	It is recommended that Costa Rica take steps to have the necessary processes in place ahead of the first exchanges of CbC reports.
Part C	Appropriate use	-

References

OECD (2019), *Country-by-Country Reporting – Compilation of Peer Review Reports (Phase 2): Inclusive Framework on BEPS: Action 13*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, https://dx.doi.org/10.1787/f9bf1157-en. [1]

OECD (2018), *Country-by-Country Reporting – Compilation of Peer Review Reports (Phase 1): Inclusive Framework on BEPS: Action 13*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264300057-en. [2]

OECD (2017), *Terms of reference for the conduct of peer review of the Action 13 minimum standard on country-by-country reporting*, OECD Publishing, https://www.oecd.org/tax/beps/beps-action-13-on-country-by-country-reporting-peer-review-documents.pdf. [3]

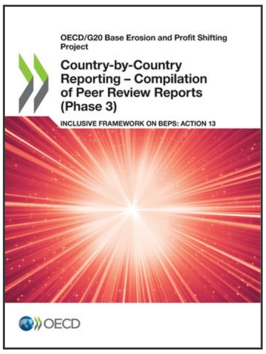
Notes

[1] Article 1, item 6 of Costa Rica's rules does not make it clear that an entity cannot be an Ultimate Parent Entity if another Constituent Entity holds an interest in that entity (i.e. the ultimate holding company must be the top level holding company in the MNE group).

[2] The 2017/2018 peer review also included a monitoring point for the first year exchanges, to ensure that the filing deadline will not impact the ability of the Costa Rica to meet its obligations relating to the exchange of information under the terms of reference. This monitoring point remains in place.

[3] Costa Rica’s 2017/2018 peer review included a monitoring point relating to the absence of specific processes in place that would allow Costa Rica to take appropriate measures in case it is notified by another jurisdiction that such other jurisdiction has reason to believe that an error may have led to incorrect or incomplete information reporting by a Reporting Entity or that there is non-compliance of a Reporting Entity with respect to its obligation to file a CbC report. This aspect will be further monitored once the actual exchanges of CbC reports will commence. This monitoring point remains in place.

[4] No inconsistency with the terms of reference will be identified where a QCAA is not in effect with one or more jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions, but this is due to circumstances that are not under the control of the reviewed jurisdiction. This may include, for example, where the other jurisdiction intends to exchange CbC reports using the MCAA but it does not have the Convention in effect for the relevant fiscal period, or where the other jurisdiction has declined to have a QCAA in effect with the reviewed jurisdiction.



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