

Doing Business 2011

Costa Rica

**Making
a Difference for
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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Doing Business 2011
Business Reforms

Doing Business 2011: Making a Difference for Entrepreneurs is the eighth in a series of annual reports investigating regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies.

The following pages present the summary Doing Business indicators for Costa Rica. The data used for this economy profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator.

The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2011: Making a Difference for Entrepreneurs* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website (www.doingbusiness.org).

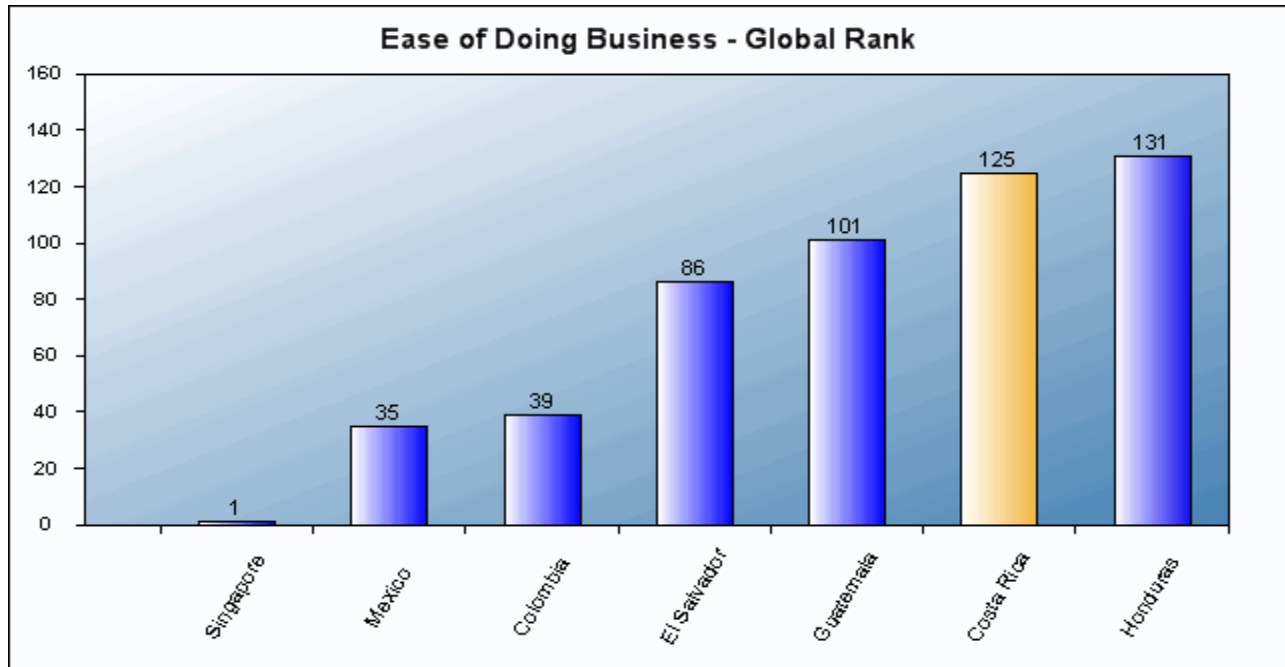
* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

Note: 2008-2010 Doing Business data and rankings have been recalculated to reflect changes to the methodology and the addition of new economies (in the case of the rankings).

Economy Rankings - Ease of Doing Business

Costa Rica is ranked 125 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

Costa Rica - Compared to global good practice economy as well as selected economies:



Costa Rica's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	125
Starting a Business	116
Dealing with Construction Permits	131
Registering Property	52
Getting Credit	65
Protecting Investors	167
Paying Taxes	155
Trading Across Borders	69
Enforcing Contracts	130
Closing a Business	114

Summary of Indicators - Costa Rica

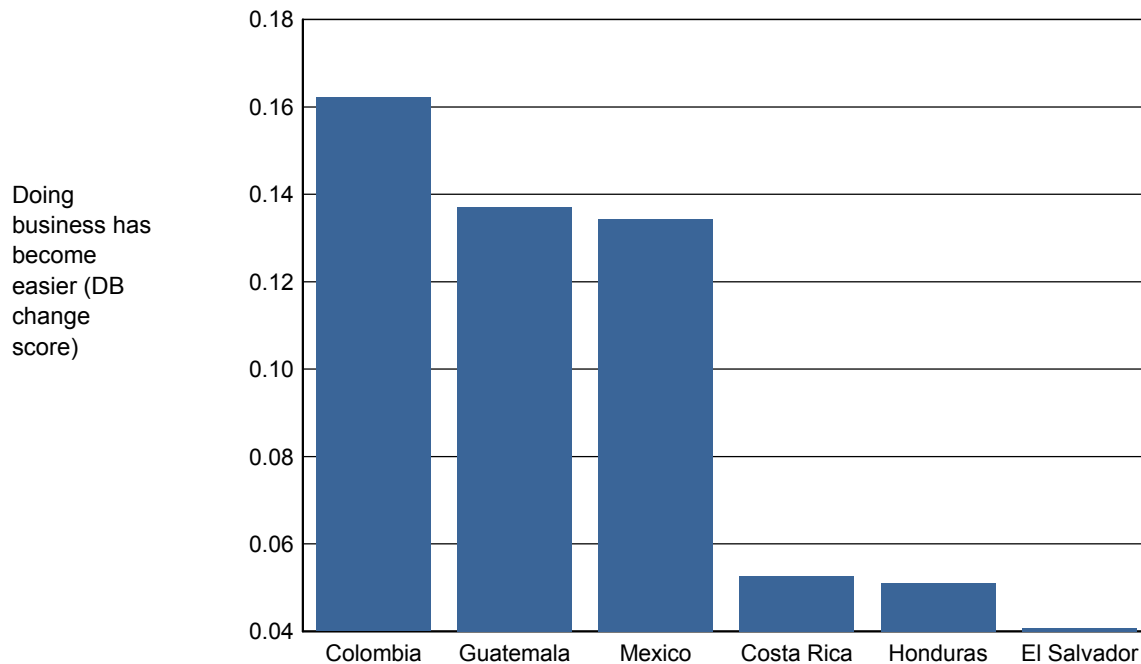
Starting a Business	Procedures (number)	12
	Time (days)	60
	Cost (% of income per capita)	10.5
	Min. capital (% of income per capita)	0.0
Dealing with Construction Permits	Procedures (number)	23
	Time (days)	191
	Cost (% of income per capita)	172.2
Registering Property	Procedures (number)	6
	Time (days)	21
	Cost (% of property value)	3.4
Getting Credit	Strength of legal rights index (0-10)	5
	Depth of credit information index (0-6)	5
	Public registry coverage (% of adults)	23.3
	Private bureau coverage (% of adults)	64.8
Protecting Investors	Extent of disclosure index (0-10)	2
	Extent of director liability index (0-10)	5
	Ease of shareholder suits index (0-10)	2
	Strength of investor protection index (0-10)	3.0
Paying Taxes	Payments (number per year)	42
	Time (hours per year)	272
	Profit tax (%)	18.9
	Labor tax and contributions (%)	29.5
	Other taxes (%)	6.6
	Total tax rate (% profit)	55.0
Trading Across Borders	Documents to export (number)	6
	Time to export (days)	13
	Cost to export (US\$ per container)	1190
	Documents to import (number)	7
	Time to import (days)	15
	Cost to import (US\$ per container)	1190

Enforcing Contracts	Procedures (number)	40
	Time (days)	852
	Cost (% of claim)	24.3
Closing a Business	Recovery rate (cents on the dollar)	21.2
	Time (years)	3.5
	Cost (% of estate)	15

The 5 year measure of cumulative change illustrates how the business regulatory environment has changed in 174 economies from *Doing Business 2006* to *Doing Business 2011*. Instead of highlighting which countries currently have the most business friendly environment, this new approach shows the extent to which an economy's regulatory environment for business has changed compared with 5 years ago.

This snapshot reflects all cumulative changes in an economy's business regulation as measured by the Doing Business indicators—such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions.

This figure shows the distribution of cumulative change across the 9 indicators and time between *Doing Business 2006* and *Doing Business 2011*



Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

Some reform outcomes

In Egypt reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.

In Portugal creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.

In Malaysia reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.

What does Starting a Business measure?

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law

Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary prior to registration begins

Starting a Business: getting a local limited liability company up and running
Rankings are based on 4 subindicators



Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

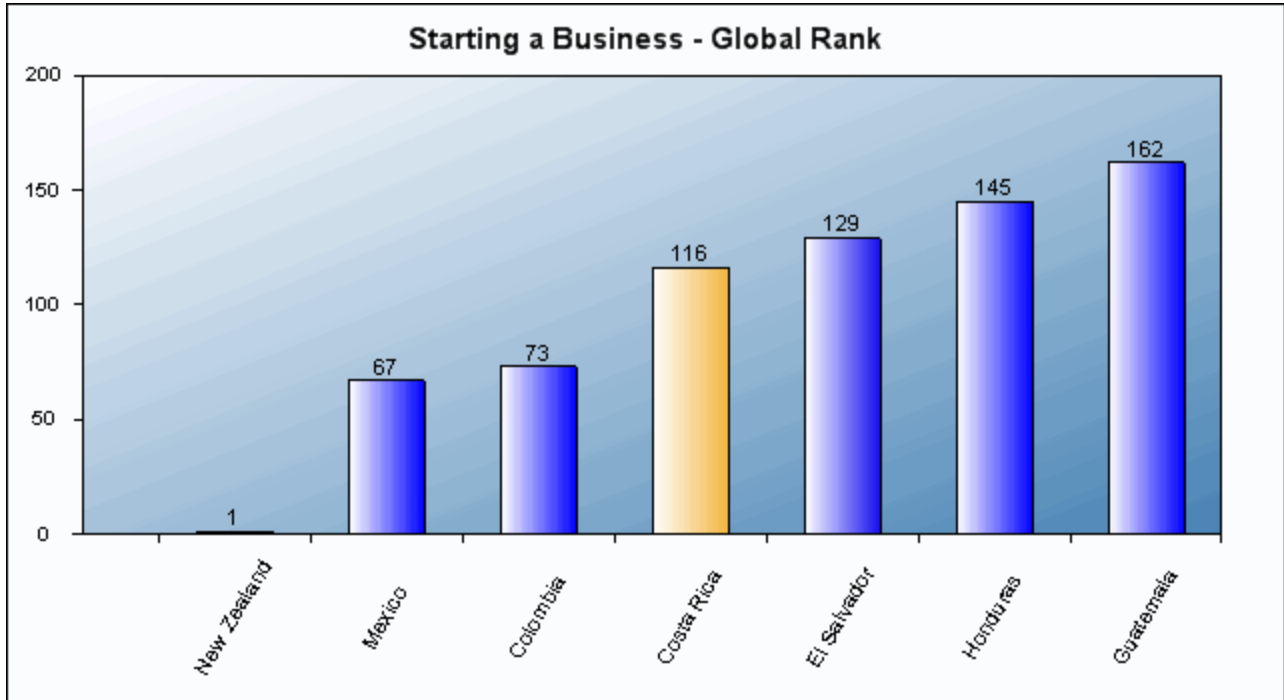
The business:

- is a limited liability company, located in the largest business city
- conducts general commercial activities
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

1. Benchmarking Starting a Business Regulations:

Costa Rica is ranked 116 overall for Starting a Business.

Ranking of Costa Rica in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for Costa Rica compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)	Min. capital (% of income per capita)
Denmark*			0.0	
New Zealand*	1	1		0.0

<i>Selected Economy</i>				
Costa Rica	12	60	10.5	0.0

<i>Comparator Economies</i>				
Colombia	9	14	14.7	0.0
El Salvador	8	17	45.0	3.0
Guatemala	12	37	49.1	24.2
Honduras	13	14	47.2	17.5
Mexico	6	9	12.3	9.2

* The following economies are also good practice economies for :

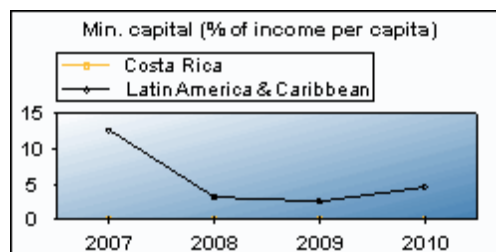
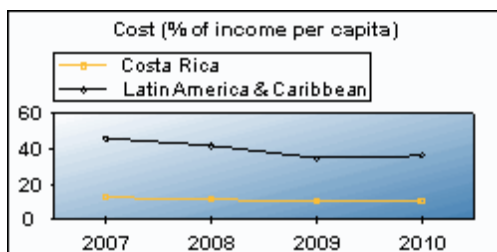
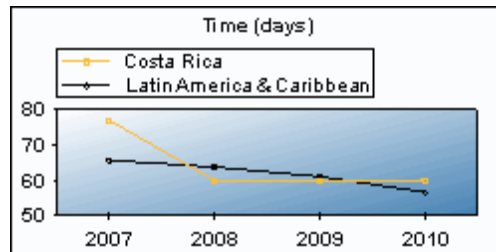
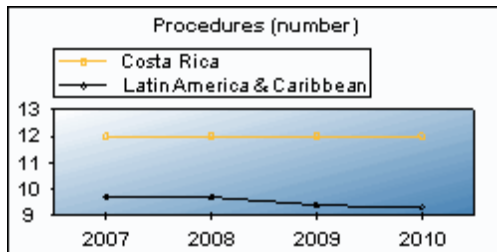
Procedures (number): **Canada**

Cost (% of income per capita): **Slovenia**

2. Historical data: Starting a Business in Costa Rica

Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	119	116
Procedures (number)	12	12	12	12
Time (days)	77	60	60	60
Cost (% of income per capita)	12.7	11.4	10.5	10.5
Min. capital (% of income per capita)	0.0	0.0	0.0	0.0

3. The following graphs illustrate the Starting a Business sub indicators in Costa Rica over the past 4 years:



What are the time, cost, paid-in minimum capital and number of procedures to get a local, limited liability company up and running?



This table summarizes the procedures and costs associated with setting up a business in Costa Rica.

STANDARDIZED COMPANY

Legal Form: Sociedad Anónima (S.A.) - Corporation

City: San José

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Check the availability of the proposed company name and reserve the name in the Public Registry	1	USD 25
2	A notary public drafts and notarizes public deeds of the incorporation charter for registration before the Mercantile Section of the Public Registry	1	CRC 100,000
3	Send the notice of the constitution of the company for publication in Costa Rica's official newspaper "La Gaceta" and obtain a receipt	1	CRC 5,250
4	Deposit capital in the bank account	1	no charge
5	Register the incorporation charter in the mercantile section of the public registry	25	CRC 107,738
6	File Form D-140 with the before the Tax Department to register the firm as a taxpayer	2	no charge
7	Legalize the company's books	2	USD 35

8	Apply for the business license (patente municipale) from the municipality	18	USD 200
9	* Apply for sanitary permit	17	USD 30
10	Register the company as an employer with Caja Costarricense de Seguro Social (CCSS, Social Security Institution)	7	no charge
11	CCSS conducts an inspection at the company's facilities	1	no charge
12	Register for labor risk insurance with the National Insurance Institute (Instituto Nacional de Seguros)	1	no charge

* Takes place simultaneously with another procedure.

Starting a Business Details - Costa Rica

Procedure	1	Check the availability of the proposed company name and reserve the name in the Public Registry
Time to complete:	1	
Cost to complete:	USD 25	
Comment:	Companies can also be registered by number, in which case the name would not have to be verified. However, companies that plan to commercialize their name must first verify the availability of the company name.	
Procedure	2	A notary public drafts and notarizes public deeds of the incorporation charter for registration before the Mercantile Section of the Public Registry
Time to complete:	1	
Cost to complete:	CRC 100,000	
Comment:	According to the fee structure established by the Costa Rican Bar Association, though the notary public can negotiate fees, the fee for notarizing the articles of association is CRC 100,000 for any corporation. Registered capital is not a factor.	
Procedure	3	Send the notice of the constitution of the company for publication in Costa Rica's official newspaper "La Gaceta" and obtain a receipt
Time to complete:	1	
Cost to complete:	CRC 5,250	
Comment:	The receipt must simply evidence that the notice of constitution was sent to the official newspaper (La Gaceta), that all publication expenses have been paid, and that publication of the notice is pending. The payment for the official newspaper publication is CRC 3,870.	
Procedure	4	Deposit capital in the bank account
Time to complete:	1	
Cost to complete:	no charge	
Comment:	As a prerequisite for registering the company, 25% of the capital stock indicated in the incorporation charter (if paid in cash) must be deposited in a national bank. The amount deposited may be withdrawn once the company has been duly recorded. The founders may also opt to sign a promissory note at the notary public and deposit the capital into the bank account later.	
Procedure	5	Register the incorporation charter in the mercantile section of the public registry
Time to complete:	25	
Cost to complete:	CRC 107,738	
Comment:	The incorporation charter is registered by the notary public who granted the deed in his protocol book. The approval process takes 3–4 weeks.	

Once registered, the Registry issues the company a federal tax number (cédula de persona jurídica), which serves as the corporate tax identification number. The registration fees are partly fixed, partly based on the company capital.

For a company with capital of about CRC 33 million, the fees are as follows:

- Stamp duties: Archivo Nacional, CRC 20; Colegio de Abogados, CRC 5,000; Educación y Cultura, CRC 750 and Fiscal, CRC 625
- Registration fees: Registro Nacional, CRC 29,340; Municipal 0.2% of capital

Procedure 6 File Form D-140 with the before the Tax Department to register the firm as a taxpayer

Time to complete: 2

Cost to complete: no charge

Comment: Digitalization of the tax registration, if you are a Costa Rican citizen or corporation with a Costa Rica legal representative can register as taxpayer at the internet address <https://www.haciendadigital.go.cr/inscriptipopersona.jsp>.

Procedure 7 Legalize the company's books

Time to complete: 2

Cost to complete: USD 35

Comment: A set of three accounting books (diario, mayor, and inventarios y balances) and three corporate books (shareholders record, shareholders assembly minutes, and board of directors meetings minutes) must be filed before the Ministry of Property (Ministerio de Hacienda), Tax Department, for their initial authorization by the Book Legalization Department. Once duly legalized, these books must evidence all company internal affairs (including, but not limited to, stock transfers) and are kept privately by the shareholders.

Procedure 8 Apply for the business license (patente municipal) from the municipality

Time to complete: 18

Cost to complete: USD 200

Comment:

Procedure 9 Apply for sanitary permit

Time to complete: 17

Cost to complete: USD 30

Comment: Fees depend of the company risk classification and vary from USD 30 to USD 100.

Procedure 10 Register the company as an employer with Caja Costarricense de Seguro Social (CCSS, Social Security Institution)

Time to complete: 7

Cost to complete: no charge

Comment:

Procedure 11 CCSS conducts an inspection at the company's facilities

Time to complete: 1

Cost to complete: no charge

Comment:

Procedure 12 Register for labor risk insurance with the National Insurance Institute (Instituto Nacional de Seguros)

Time to complete: 1

Cost to complete: no charge

Comment: The National Insurance Institute is the only insurance at the moment that only offers labor insurance. The annual premium for this type of insurance is about 2.17% of reported payroll.

In many economies, especially developing ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

Some reform outcomes

In Burkina Faso, a one-stop shop for construction permits, "Centre de Facilitation des Actes de Construire", was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40%. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002-06.

Toronto, Canada revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk-based approvals with fast-track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.

What does the Dealing with Construction Permits indicator measure?

Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes

Case Study Assumptions

The business:

- is a small to medium-size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

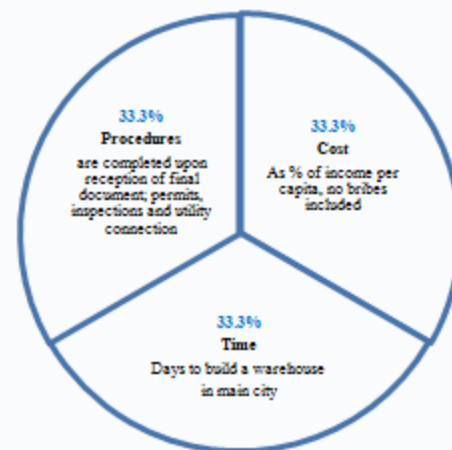
The warehouse:

- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and a land telephone line
- will be used for general storage of non-hazardous goods, such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

Dealing with Construction Permits:

Building a warehouse

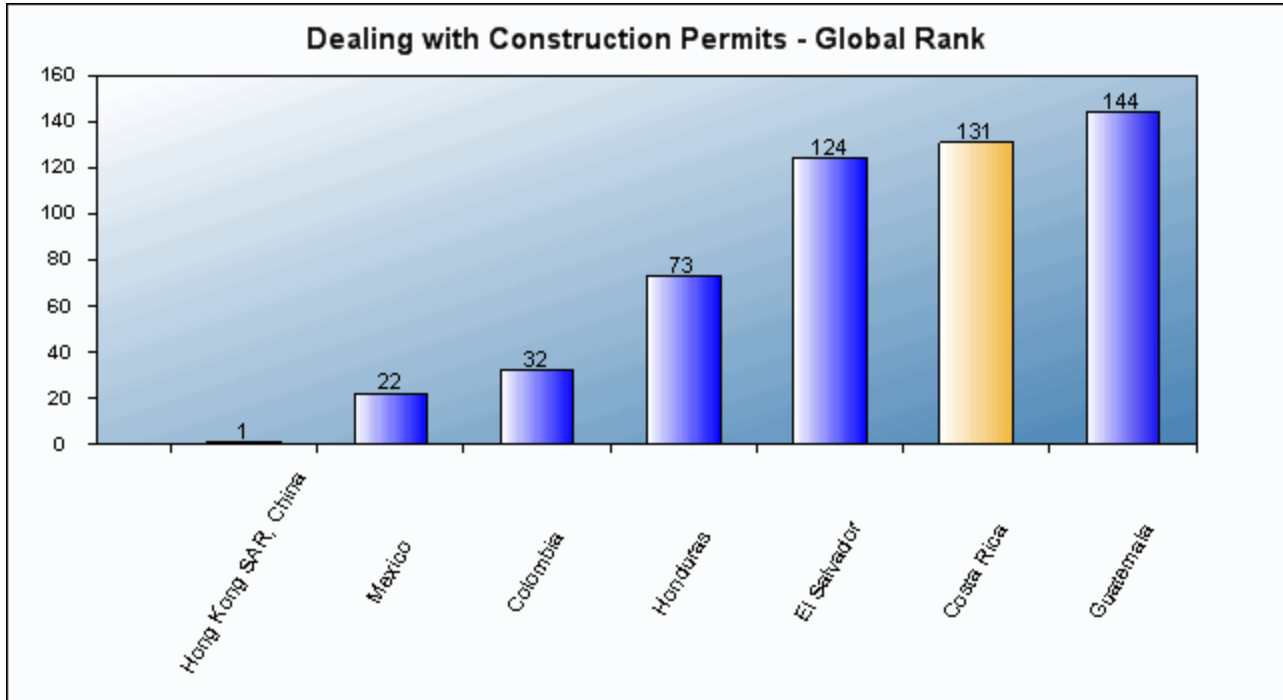
Rankings are based on 3 subindicators



1. Benchmarking Dealing with Construction Permits Regulations:

Costa Rica is ranked 131 overall for Dealing with Construction Permits.

Ranking of Costa Rica in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for Costa Rica compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)
Denmark	6		
Qatar			0.8
Singapore		25	

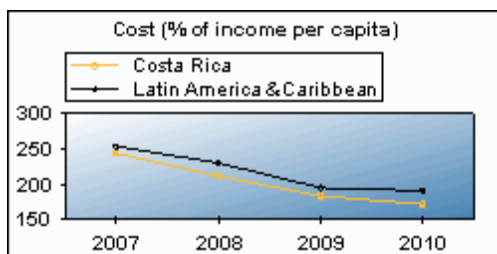
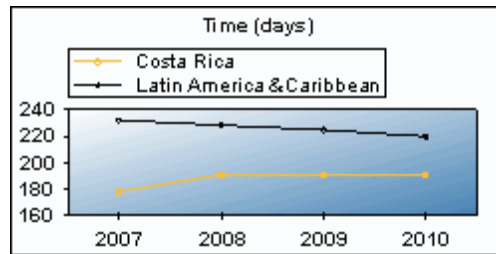
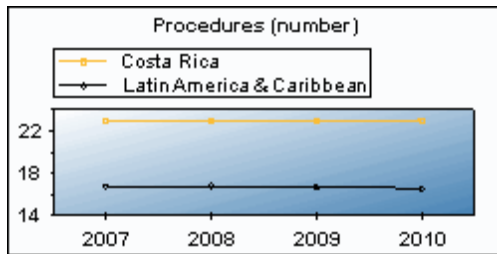
<i>Selected Economy</i>			
Costa Rica	23	191	172.2

<i>Comparator Economies</i>			
Colombia	10	50	405.9
El Salvador	34	155	171.7
Guatemala	22	178	599.4
Honduras	17	106	469.3
Mexico	11	105	117.0

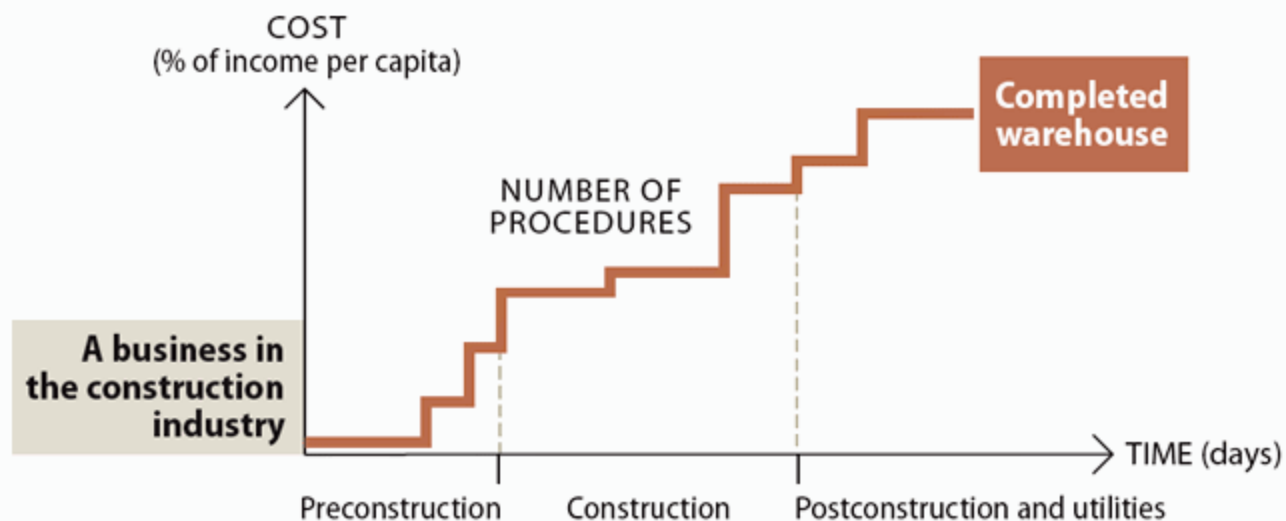
2. Historical data: Dealing with Construction Permits in Costa Rica

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	129	131
Procedures (number)	23	23	23	23
Time (days)	178	191	191	191
Cost (% of income per capita)	244.2	211.7	183.6	172.2

3. The following graphs illustrate the Dealing with Construction Permits sub indicators in Costa Rica over the past 4 years:



What are the time, cost and number of procedures to comply with formalities to build a warehouse?



The table below summarizes the procedures, time, and costs to build a warehouse in Costa Rica.

BUILDING A WAREHOUSE

City: San José

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Request and obtain zoning authorization (uso de suelo) from the municipal government	10 days	no charge
2 *	Request and obtain approval from National Environment Technical Secretary	60 days	CRC 1,000,000
3	Request and obtain approval of blueprints by College of Architects and Engineers	1 day	CRC 1,058,848
4	Request and obtain approval by the health department	30 days	no charge
5	Request and obtain approval by the water department (Acueductos y Alcantarillados)	5 days	no charge
6	Request and obtain approval from fire department (Departamento de Ingeniería)	20 days	no charge
7 *	Request and obtain workers compensation insurance proof from National Insurance Institute	7 days	no charge

8	Request and obtain construction permit from the municipal government	25 days	CRC 3,989,995
9	Receive on-site inspection-I	1 day	no charge
10	Receive on-site inspection-II	1 day	no charge
11	Receive on-site inspection-III	1 day	no charge
12	Receive on-site inspection-IV	1 day	no charge
13	Receive on-site inspection-V	1 day	no charge
14	Receive on-site inspection-VI	1 day	no charge
15	Receive on-site inspection-VII	1 day	no charge
16 *	Request and obtain telephone connection	14 days	CRC 25,000
17 *	Request water connection	1 day	no charge
18 *	Receive water department inspection and pay connection cost	1 day	CRC 79,520
19 *	Connect to water services	28 days	no charge
20 *	Request electricity connection	1 day	no charge
21 *	Receive inspection from electric company (CNFL)	1 day	no charge
22 *	Receive connection to electricity	11 days	CRC 47,085
23 *	Obtain occupancy permit from Municipal Government	35 days	no charge

* Takes place simultaneously with another procedure.

Dealing with Construction Permits Details - Costa Rica

Procedure 1 Request and obtain zoning authorization (uso de suelo) from the municipal government

Time to complete:	10 days
Cost to complete:	no charge
Agency:	Municipal Government
Comment:	This request can also include a request for property line setbacks to be indicated by the municipal government. New land use policies were approved in April 2006. The greater San Jose metropolitan area includes 31 municipalities. The zoning authorization will be valid for 6 months, or up to 12 months. Many municipal authorities, such as the Belen municipality, do not respect their own land-use regulations when granting the final construction permit.

Procedure 2 Request and obtain approval from National Environment Technical Secretary

Time to complete:	60 days
Cost to complete:	CRC 1,000,000
Agency:	National Environment Technical Secretary
Comment:	<p>The first step is to obtain approval from the National Environment Technical Secretary (Secretaría Técnica Nacional del Ambiente, SETENA), using two forms (in Spanish) available on SETENA's Web site (www.minae.go.cr/setena.html). BuildCo would use Form D-1 which costs anywhere between CRC 1- 1,5 Million. The response generally takes 60-90 days. This procedure and the next can be completed simultaneously.</p> <p>Preparation of EIS is around CRC 8-12,000. But that is done internally by BuildCo.</p>

Procedure 3 Request and obtain approval of blueprints by College of Architects and Engineers

Time to complete:	1 day
Cost to complete:	CRC 1,058,848
Agency:	College of Architects and Engineers
Comment:	BuildCo should submit the property survey map and a contract, signed by two members of the College of Architects and Engineers: an electrical engineer and either a civil engineer or an architect. It is preferred to submit at least four blueprint copies. The college has implemented the new American Power Conversion Corporation (APC) system (via the Internet). If the APC submits the approval, the time line is 1 day, if not, it is about 5-8 days. In 2007, the college encouraged a complete change to digital approval. The approval fee is 0.265% of the project value, plus a fixed fee of CRC 1,500 for two construction log books.

Procedure 4 Request and obtain approval by the health department

Time to complete:	30 days
Cost to complete:	no charge
Agency:	Health Department

Comment: The health department approval requires that BuildCo complete the approval request form and present two copies of the blueprints. These must have been pre-approved by the College of Architects and Engineers.

Procedure 5 Request and obtain approval by the water department (Acueductos y Alcantarillados)

Time to complete: 5 days

Cost to complete: no charge

Agency: Water Department

Comment: BuildCo must complete and submit an approval form to the water department. In turn, the department must verify that the construction project site has a water source.

Procedure 6 Request and obtain approval from fire department (Departamento de Ingenieria)

Time to complete: 20 days

Cost to complete: no charge

Agency: Fire Department

Comment: BuildCo must complete and submit an approval form to the fire department. The department must verify that the construction project site has a fire facility in place.

Procedure 7 Request and obtain workers compensation insurance proof from National Insurance Institute

Time to complete: 7 days

Cost to complete: no charge

Agency: National Insurance Institute

Comment: The National Insurance Institute requires proof that worker compensation insurance has been paid before issuing a building permit. This proof is required to start each new project. In the past, developers were allowed a blanket insurance policy that did not require purchase of insurance for every new project. In 2007, the institute's policies have been revised; it now allows a blanket insurance that the developer adjusts, paying the differences annually. But the complexity of the process discourages its use. Most construction companies purchase individual insurance on a case-by-base basis for projects instead of globally for yearly activities. This system will likely change because of private sector complaints.

Insurance premiums are based on the amount of coverage. The cost can be from 4.23% to 5.53% of the coverage amount. The completed form must be presented with copies of the workers' identification cards or (for underage employees) working permits.

Procedure 8 Request and obtain construction permit from the municipal government

Time to complete: 25 days

Cost to complete: CRC 3,989,995

Agency: Municipal Government

Comment: According to Law 8220, the relevant authorities must respond to a construction permit request in 30 days. However, on average, it should take 15 days. The construction permit fee is 1% of project value.

Procedure 9 Receive on-site inspection-I

Time to complete: 1 day

Cost to complete: no charge

Agency: Municipal Government

Comment: During construction, inspections occur monthly, though not according to a specific schedule. The inspector may show up randomly to view it and review the construction log book (Bitacora de construccion), which the engineer/architect uses to register entries for each stage of construction. Under Costa Rican law, the engineer is responsible for complying with construction laws and regulations. There is no need to request inspections.

Procedure 10 Receive on-site inspection-II

Time to complete: 1 day

Cost to complete: no charge

Agency: Municipal Government

Comment:

Procedure 11 Receive on-site inspection-III

Time to complete: 1 day

Cost to complete: no charge

Agency: Municipal Government

Comment:

Procedure 12 Receive on-site inspection-IV

Time to complete: 1 day

Cost to complete: no charge

Agency: Municipal Government

Comment:

Procedure 13 Receive on-site inspection-V

Time to complete: 1 day

Cost to complete: no charge
Agency: Municipal Government
Comment:

Procedure 14 Receive on-site inspection-VI

Time to complete: 1 day
Cost to complete: no charge
Agency: Municipal Government
Comment:

Procedure 15 Receive on-site inspection-VII

Time to complete: 1 day
Cost to complete: no charge
Agency: Municipal Government
Comment:

Procedure 16 Request and obtain telephone connection

Time to complete: 14 days
Cost to complete: CRC 25,000
Agency: Instituto Costarricense de Electricidad (ICE)
Comment: To request a telephone connect, BuildCo must complete an application form and present all the required documents, including a copy of the company's identification card and person area.

Procedure 17 Request water connection

Time to complete: 1 day
Cost to complete: no charge
Agency: Water Department
Comment: After the connection is requested, an inspector from the water department visits the construction site, determines connection requirements, and, on this basis, estimates costs. Sewage connection is not included. With few centralized sewage connections, most connections are done with an independent septic system or treatment plant.

BuildCo must complete an application form and present all the required documents, including a copy of the company's identification card.

Procedure 18 Receive water department inspection and pay connection cost

Time to complete: 1 day
Cost to complete: CRC 79,520
Agency: Water Department
Comment:

Procedure 19 Connect to water services

Time to complete: 28 days
Cost to complete: no charge
Agency: Water Department
Comment: After the connection is requested, an inspector from the water department goes to the construction site and determines what is required for the connection. Obtaining sewage connection is not included because most connections are done with independent septic system or treatment plants, because there are very few centralized sewage connections.

BuildCo must complete an application form and present all the required documents, including a copy of the company's identification card and person area.

Procedure 20 Request electricity connection

Time to complete: 1 day
Cost to complete: no charge
Agency: Compañía Nacional de Fuerza y Luz, S.A (CNFL)
Comment: To request electricity connection, BuildCo must complete an application form and present all the required documents, including a copy of the company's identification card.

BuildCo must pay for the inspection and the meter installation.

Procedure 21 Receive inspection from electric company (CNFL)

Time to complete: 1 day
Cost to complete: no charge
Agency: Compañía Nacional de Fuerza y Luz, S.A (CNFL)
Comment: The electric company will inspect the installation. If it is in compliance with regulations, the company will authorize the installation of the electric meters at the completion of the project.

Procedure 22 Receive connection to electricity

Time to complete: 11 days

Cost to complete: CRC 47,085
Agency: Compañía Nacional de Fuerza y Luz, S.A (CNFL)
Comment:

Procedure 23 Obtain occupancy permit from Municipal Government

Time to complete: 35 days
Cost to complete: no charge
Agency: Municipal Government
Comment: The occupancy permit indicates that the municipal government has approved the construction and authorizes its occupancy.

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

Some reform outcomes

Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003.

Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.

What does the Registering Property indicator measure?

Registering Property: transfer of property between 2 local companies

Rankings are based on 3 subindicators

Procedures to legally transfer title on immovable property (number)

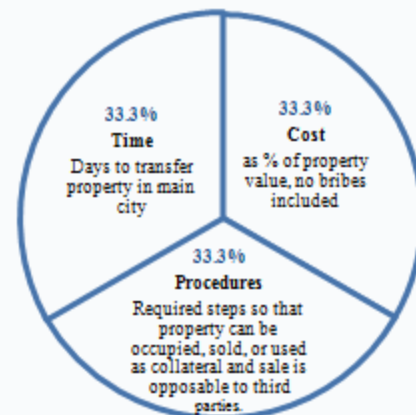
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior personal contact with officials

Cost required to complete each procedure (% of property value)

- Official costs only, no bribes
- No value added or capital gains taxes included



Case Study Assumptions

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

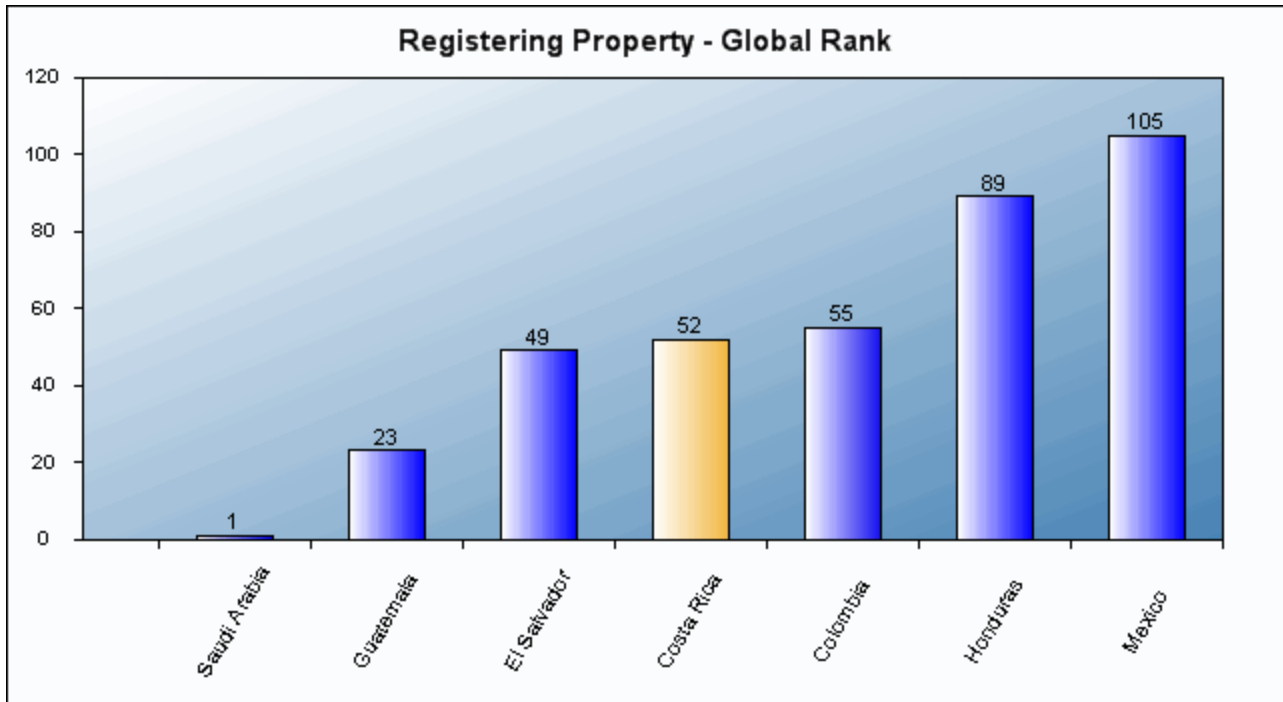
The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of a 557.4 square meters (6,000 square feet) land and 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

1. Benchmarking Registering Property Regulations:

Costa Rica is ranked 52 overall for Registering Property.

Ranking of Costa Rica in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for Costa Rica compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of property value)
New Zealand*		2	
Norway*	1		
Saudi Arabia			0.0

<i>Selected Economy</i>			
Costa Rica	6	21	3.4

<i>Comparator Economies</i>			
Colombia	7	20	2.0
El Salvador	5	31	3.8
Guatemala	4	23	1.0
Honduras	7	23	5.5
Mexico	5	74	5.2

* The following economies are also good practice economies for :

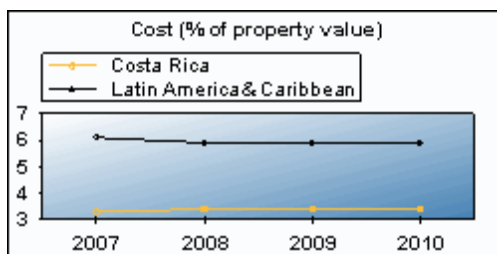
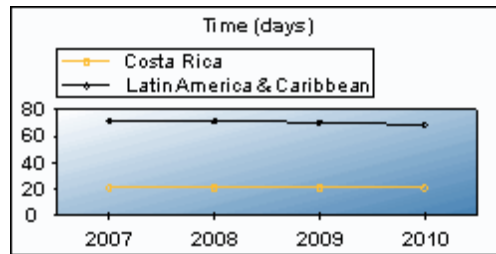
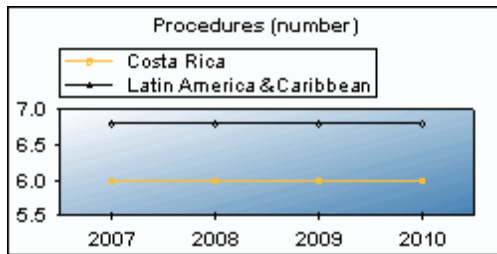
Procedures (number): United Arab Emirates

Time (days): Saudi Arabia, Thailand, United Arab Emirates

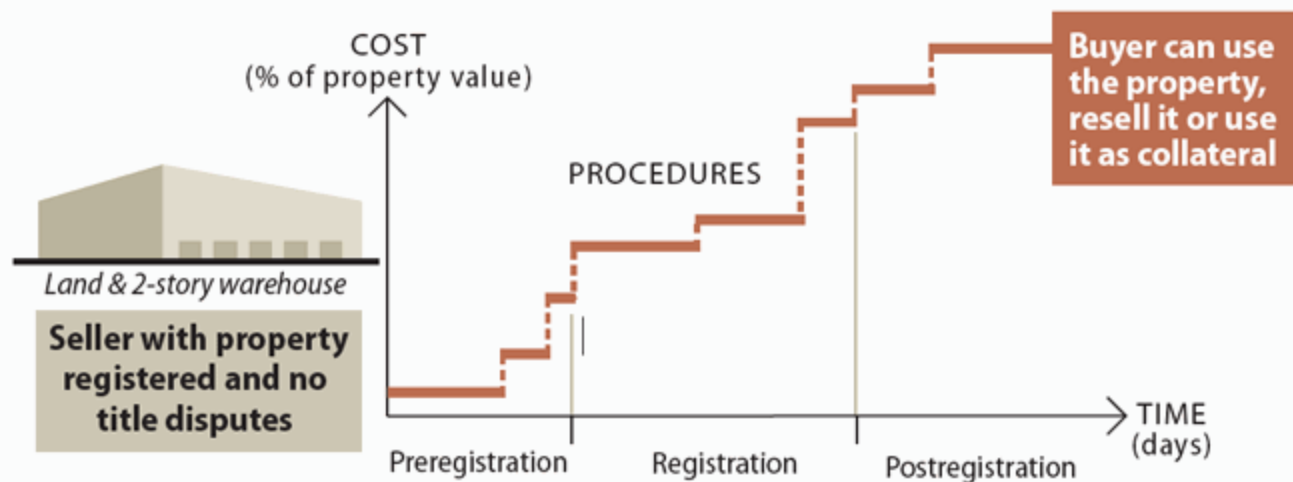
2. Historical data: Registering Property in Costa Rica

Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	49	52
Procedures (number)	6	6	6	6
Time (days)	21	21	21	21
Cost (% of property value)	3.3	3.4	3.4	3.4

3. The following graphs illustrate the Registering Property sub indicators in Costa Rica over the past 4 years:



What are the time, cost and number of procedures required to transfer a property between 2 local companies?



This topic examines the steps, time, and cost involved in registering property in Costa Rica.

STANDARDIZED PROPERTY

Property Value: 180,007,539.97

City: San José

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1 *	Obtain a literal certification from the National Registry (on line)	1 day (simultaneous with procedures 2 and 3)	CRC 1320 (stamps)
2 *	Obtain a cadastral plan from the Cadastre	1 day (simultaneous with procedures 1 and 3)	CRC 1620)Cadastral plan)
3 *	Obtain a tax clearance certificate from the Municipality	1 day (simultaneous with procedures 1 and 2)	CRC 1320
4	A lawyer/notary drafts the sale agreement as a public deed	1-2 days	Fees according to the following scale:Property value Fees 0 – 10 million CRC 2% 10 – 15 million CRC 1.5% 15 – 30 million CRC 1.25% 30 million CRC and higher 1%

5	Pay transfer tax and the stamp duties at the Banco de Costa Rica	1 day	1.5% of property price (transfer tax) + 0.5% of property price (National Property Register Stamp) + 0.2% of property price (Municipal Stamp) + 0.1% of property price (Agrarian Stamp) + 10,000 CRC (Costa Rican Bar Association fee) + CRC 625 (Fiscal Stamp Tax) + CRC 20 (National Archive fee)
6	File the public deed registration at the National Property Registry	15 days	Already paid in Procedure 5

* Takes place simultaneously with another procedure.

Registering Property Details - Costa Rica

Procedure 1 Obtain a literal certification from the National Registry (on line)

Time to complete:	1 day (simultaneous with procedures 2 and 3)
Cost to complete:	CRC 1320 (stamps)
Agency:	National Registry
Comment:	<p>The seller obtains a literal certification (printed sheet with the information of the property recorded at the Registry's database) from the National Registry, where it is issued in the same day.</p> <p>Information of property can be obtained online. A notary public can access with a designated password and get this information by simply login into the National Registry's website (www.registronacional.go.cr), putting the property's information and getting a print screen with the above indicated information (nature of property, location, area, cadastre number, owner, liens, mortgages, easements, limitations, boundaries, etc).</p> <p>It is also possible to do searches in computers available in the National Registry.</p>

Procedure 2 Obtain a cadastral plan from the Cadastre

Time to complete:	1 day (simultaneous with procedures 1 and 3)
Cost to complete:	CRC 1620 (Cadastral plan)
Agency:	Cadastre
Comment:	<p>The seller obtains a cadastral plan from the cadastre.</p> <p>If a cadastral plan of the property does not exist or has problems, then a Topographer engineer must prepare a new one. This will take another 22 days and will cost about CRC 120,000.</p> <p>According to the Cadastral Law (Ley de Catastro), it is mandatory to have a cadastral plan for most registrations regarding a property, including property transfers. The cadastral plan will have to be prepared in many cases due to errors, but it is not legally required and most people do not do it.</p>

Procedure 3 Obtain a tax clearance certificate from the Municipality

Time to complete:	1 day (simultaneous with procedures 1 and 2)
Cost to complete:	CRC 1320
Agency:	Municipality
Comment:	<p>The seller shall provide the buyer a certificate attesting that the property is current with payment of all the Municipal taxes and charges (including property tax, and charges for municipal services).</p>

Procedure 4 A lawyer/notary drafts the sale agreement as a public deed

Time to complete:	1-2 days
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Cost to complete: Fees according to the following scale: Property value Fees
0 – 10 million CRC 2%
10 – 15 million CRC 1.5%
15 – 30 million CRC 1.25%
30 million CRC and higher 1%

Comment: Notary fees are established by Executive Decree 32493 of March 9th 2005. A lawyer/notary prepares the sale agreement in the form of a public deed based on the information obtained in step 1 and provided by the parties. In accordance with the Notary Code, the lawyer/notary is legally obliged to study the property and in case the parties are corporations, study the Articles of Incorporation and verify that the person signing the transfer deed has the legal authority to represent the company.
In Costa Rica notary publics are lawyers.
Parties must provide photocopies of their ID (“cédula” for Costa Rican citizens or passport for foreigners)
Corporations must provide a certificate of incorporation.

Procedure 5 Pay transfer tax and the stamp duties at the Banco de Costa Rica

Time to complete: 1 day

Cost to complete: 1.5% of property price (transfer tax) + 0.5% of property price (National Property Register Stamp) + 0.2% of property price (Municipal Stamp) + 0.1% of property price (Agrarian Stamp) + 10,000 CRC (Costa Rican Bar Association fee) + CRC 625 (Fiscal Stamp Tax) + CRC 20 (National Archive fee)

Agency: Banco de Costa Rica

Comment: Transfer tax and stamp duties must be paid at the Banco de Costa Rica, a state-owned bank that will transfer the money to the tax authorities—either online or in person. In order to pay online, one must have a bank account and internet access to the Bank’s secure web page. The notary certifies on the affidavit that the payment was made and the registrant must check that on the bank’s database. It has become a common practice for up-to-date law firms and notaries to pay the transfer tax and stamp duties online.
The transfer tax and stamp duties are calculated on the basis of the highest of the stated purchase price and the property value appearing on the National Property Registry. Price is updated when the property is sold or mortgaged.
For a land transfer there are various types of stamps that must be paid. Payment is calculated as follows:

- National Property Register Stamp: 0.5% of the property value
- Municipal Stamp: 0.2% of property value
- Fiscal Stamp Tax: CRC 625
- Agrarian Stamp: 0.1% of property value
- Costa Rican Bar Association: 10,000 CRC for deeds over 10 million CRC (Executive Act No. 34442)
- National Archive: CRC 20

Procedure 6 File the public deed registration at the National Property Registry

Time to complete: 15 days

Cost to complete: Already paid in Procedure 5

Agency: National Property Registry

Comment: The lawyer/notary files before the National Property Registry an affidavit of the public deed (known as a “testimonio”), with proof of payment of the transfer tax and other applicable stamp taxes.
Once filed, the affidavit of the transfer deed is assigned for review by a Registrar of the

National Property. If the document complies with all requirements, it is recorded and the buyer shall be the formal owner of the property thereafter. If the document contains problems it is returned to notary for correction and re-filing. Internal regulations obligate Registry Officials to review a deed within 8 days, but the timeframe can be extended based on problems with the original deed.

Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the ‘information asymmetry’ in lending and enable lenders to view a borrower’s financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor’s rights has been associated with higher ratios of private sector credit to GDP.

Some reform outcomes

After Vietnam’s new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).

In 2008, when Zambia established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.

What do the Getting Credit indicators measure?

Strength of legal rights index (0–10)

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors’ rights through bankruptcy laws

Depth of credit information index (0–6)

- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

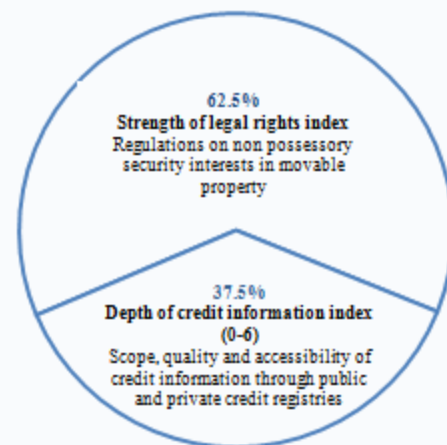
Public credit registry coverage (% of adults)

- Number of individuals and firms listed in public credit registry as percentage of a adult population

Private credit bureau coverage (% of adults)

- Number of individuals and firms listed in largest private credit bureau as percentage of a adult population

Getting Credit: collateral rules and credit information



Note: Private bureau coverage and public credit registry coverage are measured but do not count for the rankings.

Case Study Assumptions (applying to the Legal Rights Index only)

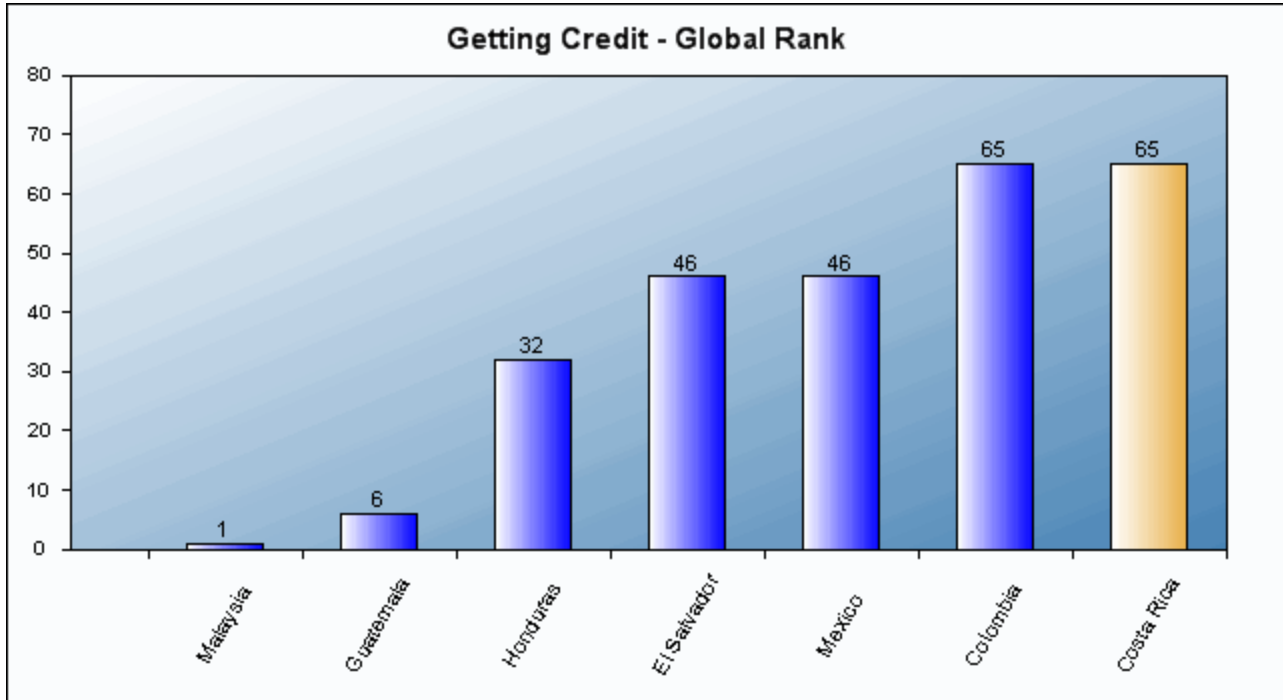
The Debtor

- is a Private Limited Liability Company
- has its Headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both creditor and debtor are 100% domestically owned.

1. Benchmarking Getting Credit Regulations:

Costa Rica is ranked 65 overall for Getting Credit.

Ranking of Costa Rica in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for Costa Rica compared to good practice and comparator economies:

Good Practice Economies	Strength of legal rights index (0-10)	Depth of credit information index (0-6)	Public registry coverage (% of adults)	Private bureau coverage (% of adults)
New Zealand*				100.0
Portugal			67.1	
Singapore*	10			
United Kingdom		6		

<i>Selected Economy</i>				
Costa Rica	5	5	23.3	64.8

<i>Comparator Economies</i>				
Colombia	5	5	0.0	63.1
El Salvador	5	6	21.8	95.0
Guatemala	8	6	16.4	8.8
Honduras	6	6	22.7	100.0
Mexico	5	6	0.0	71.6

* The following economies are also good practice economies for :

Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia

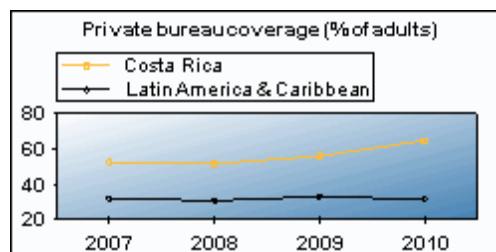
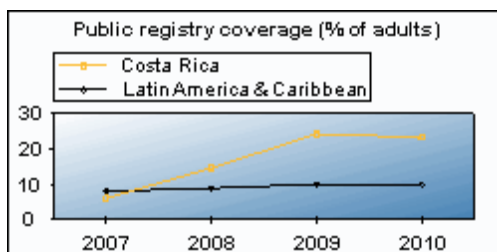
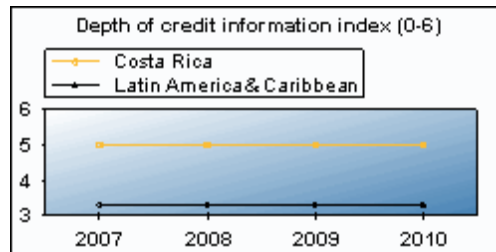
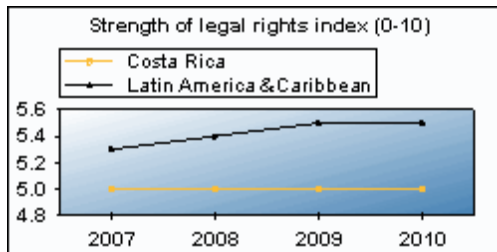
Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States

27 countries have the highest credit information index.

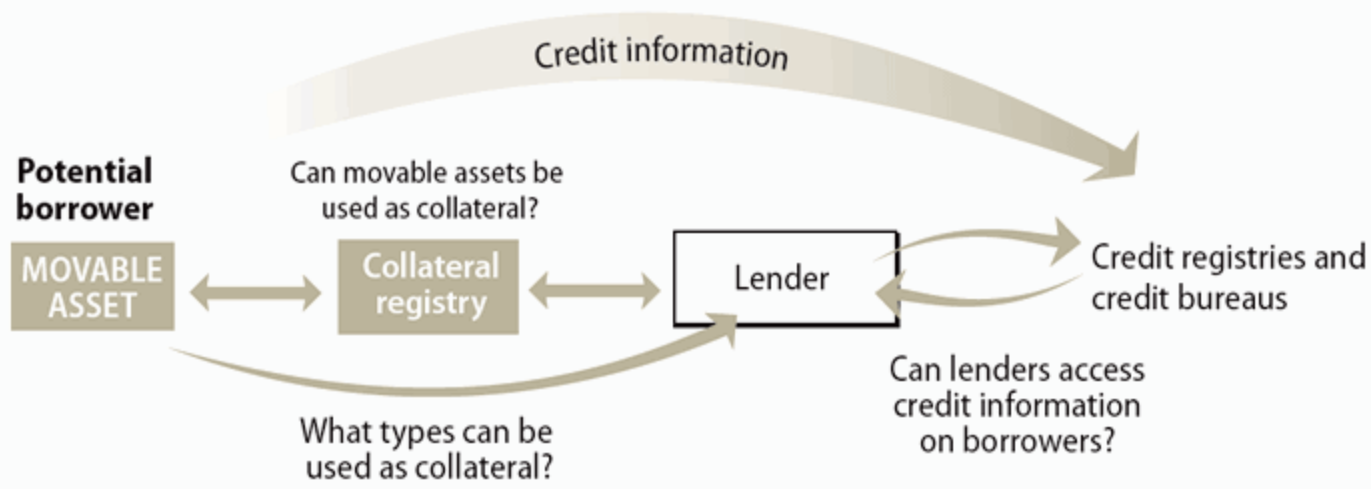
2. Historical data: Getting Credit in Costa Rica

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	61	65
Strength of legal rights index (0-10)	5	5	5	5
Depth of credit information index (0-6)	5	5	5	5
Private bureau coverage (% of adults)	52.7	51.6	56.0	64.8
Public registry coverage (% of adults)	6.1	14.6	24.3	23.3

3. The following graphs illustrate the Getting Credit sub indicators in Costa Rica over the past 4 years:



**Do lenders have credit information on entrepreneurs seeking credit?
Is the law favorable to borrowers and lenders using movable assets as collateral?**



The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Costa Rica.

Getting Credit Indicators (2010)			Indicator
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	5
Are data on both firms and individuals distributed?	Yes	Yes	1
Are both positive and negative data distributed?	No	Yes	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	Yes	No	1
Are more than 2 years of historical credit information distributed?	Yes	Yes	1
Is data on all loans below 1% of income per capita distributed?	Yes	Yes	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	No	0
Coverage	64.8	23.3	
Number of individuals	1,856,400	768,413	
Number of firms	328,020	17,673	

Strength of legal rights index (0-10)**5**

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?

Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?

Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?

May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?

Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?

Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?

Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?

Do secured creditors have absolute priority to their collateral in bankruptcy procedures?

During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?

Does the law authorize parties to agree on out of court enforcement?

Stronger investor protections matter for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. This is all the more crucial in times of financial crisis when entrepreneurs must navigate through defiant environments to finance their activities. Using 3 indices of investor protection, *Doing Business* measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gains. Since 2005, 51 economies have strengthened investor protections as measured by *Doing Business*.

Some reform outcomes

In Indonesia, an economy that consistently improved its laws regulating investor protections, the number of firms listed on the Indonesia Stock Exchange increased from 331 to 396 between 2004 and 2009. Meanwhile, market capitalization grew from 680 trillion rupiah (\$75 billion) to 1,077 trillion rupiah (\$119 billion).

After Thailand amended its laws in 2006 and 2008, more than 85 transactions that failed to comply with the disclosure standards were suspended. Thirteen were deemed prejudicial and were therefore canceled, thus preventing damage to the companies involved and preserving their value. Companies were not deterred either, as more than 30 new companies joined the stock exchange since 2005 bringing the number of listed companies to 523.

What do the Protecting Investors indicators measure?

Extent of disclosure index (0–10)

- Who can approve related-party transactions
- Requirements for external and internal disclosure in case of related-party transactions

Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

Ease of shareholder suits index (0–10)

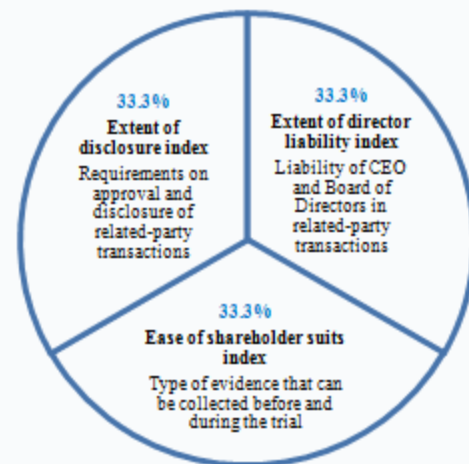
- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

Protecting Investors: minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators



Case Study Assumptions

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders),
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

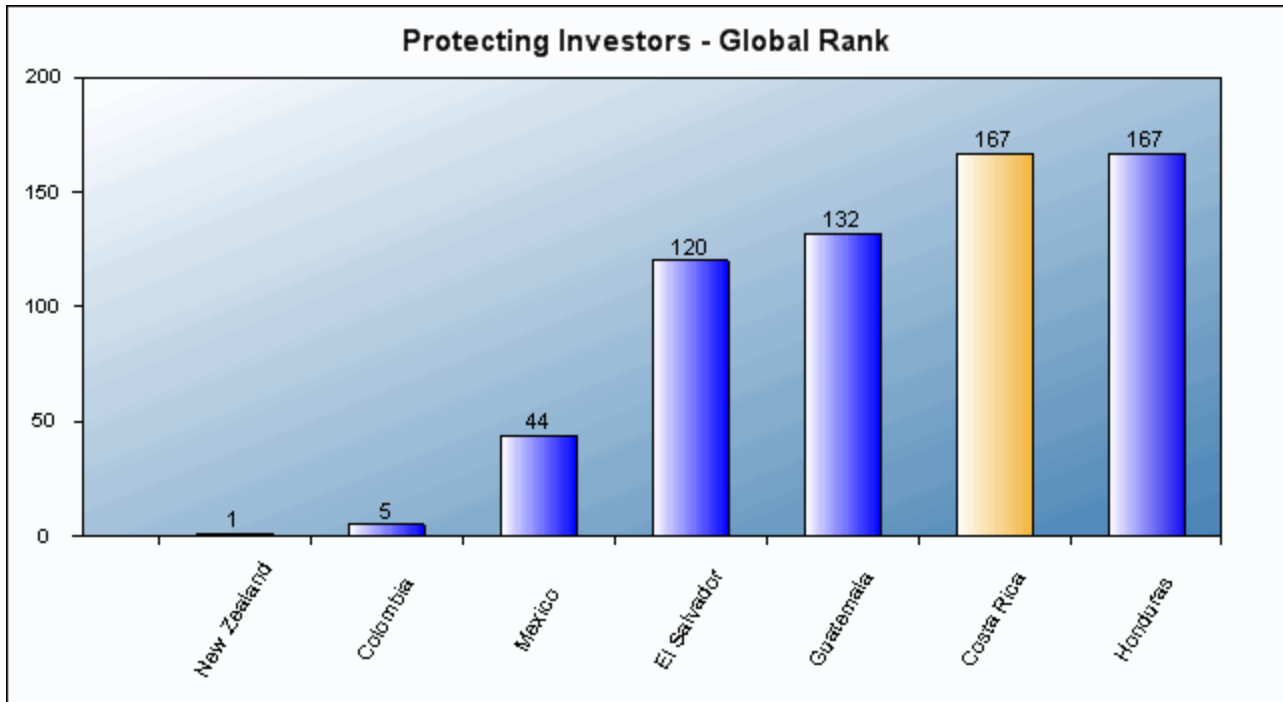
The transaction

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company.
- Shareholders sue the interested parties and the members of the board of directors.

1. Benchmarking Protecting Investors Regulations:

Costa Rica is ranked 167 overall for Protecting Investors.

Ranking of Costa Rica in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for Costa Rica compared to good practice and comparator economies:

Good Practice Economies	Strength of investor protection index (0-10)
New Zealand	9.7

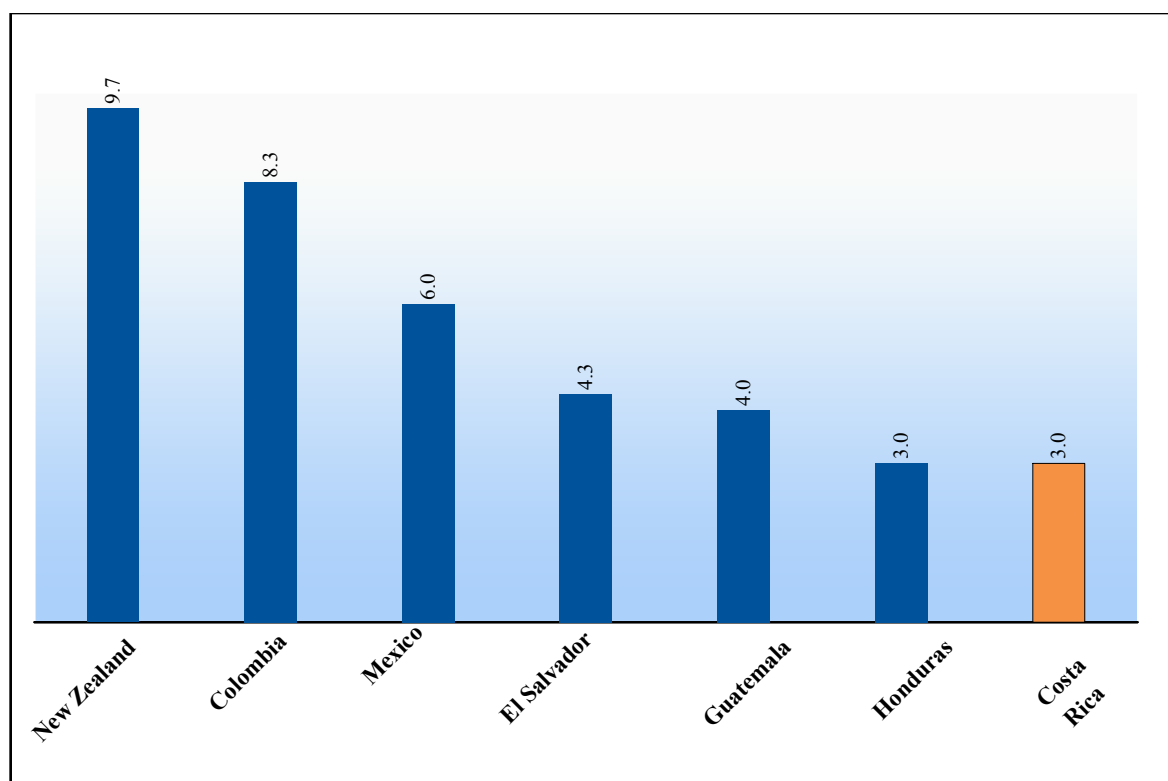
<i>Selected Economy</i>	
Costa Rica	3.0

<i>Comparator Economies</i>	
Colombia	8.3
El Salvador	4.3
Guatemala	4.0
Honduras	3.0
Mexico	6.0

2. Historical data: Protecting Investors in Costa Rica

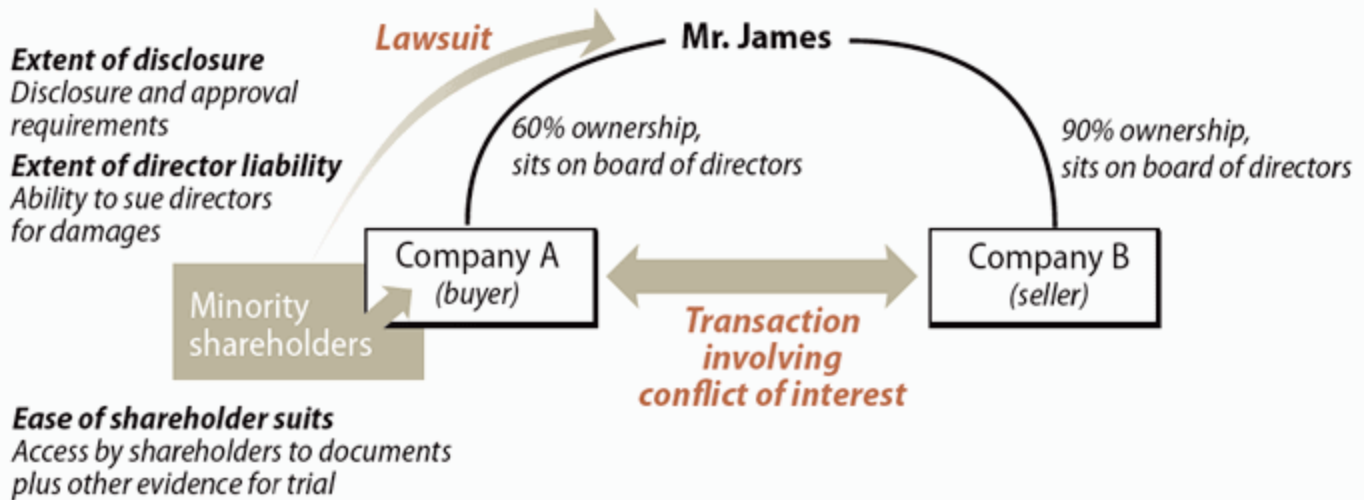
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	165	167
Strength of investor protection index (0-10)	3.0	3.0	3.0	3.0

3. The following graph illustrates the Protecting Investors index in Costa Rica compared to best practice and selected Economies:



Note: The higher the score, the greater the investor protection.

How well are minority shareholders protected against self-dealing in related-party transactions?



The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Costa Rica.

Protecting Investors Data (2010)	Indicator
Extent of disclosure index (0-10)	2
What corporate body provides legally sufficient approval for the transaction?	0
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	1
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	1
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	0
Whether an external body must review the terms of the transaction before it takes place?	0
Extent of director liability index (0-10)	5
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	1

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	1
Whether fines and imprisonment can be applied against Mr. James?	0
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
Ease of shareholder suits index (0-10)	2
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	0
Whether the plaintiff can directly question the defendant and witnesses during trial?	1
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	0
Whether the level of proof required for civil suits is lower than that of criminal cases?	1
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	0
Strength of investor protection index (0-10)	3.0

Taxes are essential to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity. More than 60% of economies have reformed in the last 6 years and are starting to see concrete results.

Some reform outcomes

Colombia introduced a new electronic system for social security and labor taxes in 2006 and by 2008 the social security contributions collected from small and medium-size companies rose by 42%, to 550 billion pesos.

Mauritius reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry-specific allowances in 2006 and saw their corporate income tax revenue grow by 27% in the following year, and in 2008/09 it increased by 65%.

What do the Paying taxes indicators measure?

Tax payments for a manufacturing company in 2009
(number per year adjusted for electronic or joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

Time required to comply with 3 major taxes (hours per year)

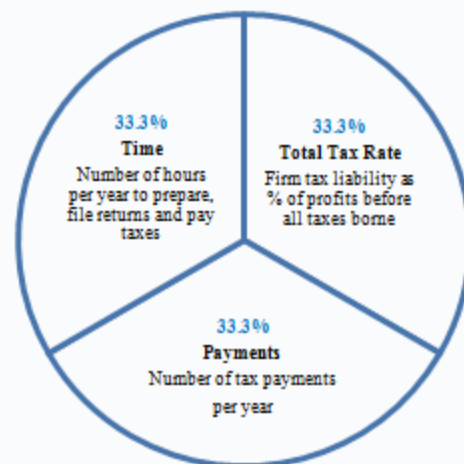
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

Total tax rate (% of profit)

- Profit or corporate income tax
- Mandatory social contributions and labor taxes paid by the employer
- Property and property transfer taxes
- Dividend, capital gains and financial transactions taxes
- Waste collection, vehicle, road and other taxes

Paying Taxes: tax compliance for a local manufacturing company

Rankings are based on 3 subindicators



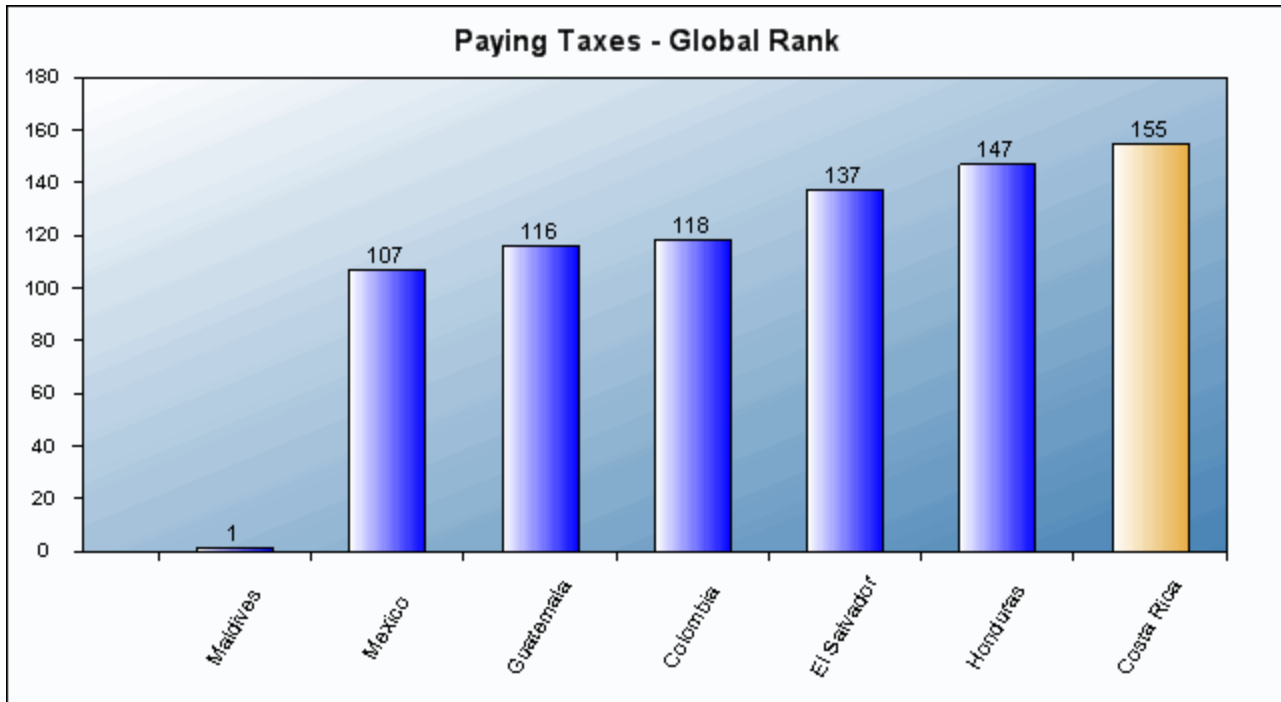
Case Study Assumptions

- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its financial statements, as well as a standard list of transactions that the company completed during the year.
- Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

1. Benchmarking Paying Taxes Regulations:

Costa Rica is ranked 155 overall for Paying Taxes.

Ranking of Costa Rica in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for Costa Rica compared to good practice and comparator economies:

Good Practice Economies	Payments (number per year)	Time (hours per year)	Total tax rate (% profit)
Maldives*	3	0	
Timor-Leste			0.2

<i>Selected Economy</i>			
Costa Rica	42	272	55.0

<i>Comparator Economies</i>			
Colombia	20	208	78.7
El Salvador	53	320	35.0
Guatemala	24	344	40.9
Honduras	47	224	48.3
Mexico	6	404	50.5

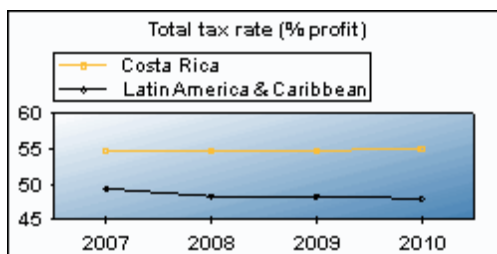
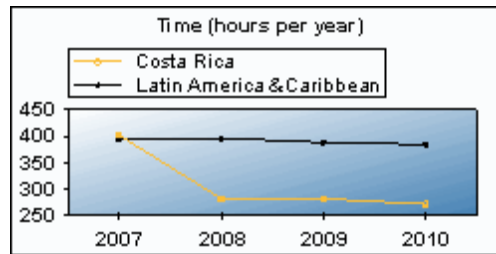
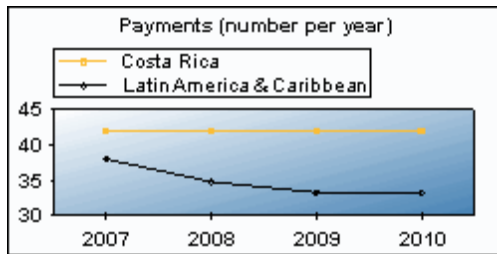
* The following economies are also good practice economies for :

Payments (number per year): Qatar

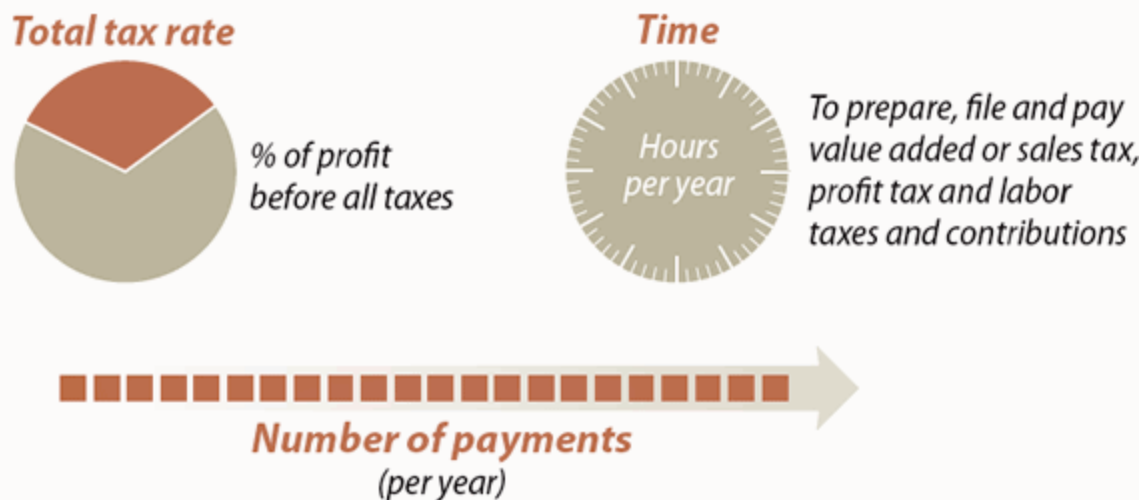
2. Historical data: Paying Taxes in Costa Rica

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	154	155
Total tax rate (% profit)	54.8	54.8	54.8	55.0
Payments (number per year)	42	42	42	42
Time (hours per year)	402	282	282	272

3. The following graphs illustrate the Paying Taxes sub indicators in Costa Rica over the past 4 years:



What are the time, total tax rate and number of payments necessary for a local medium-sized company to pay all taxes?



The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Costa Rica, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Stamp duty	1			1.0%	transaction value		
General sales tax (VAT)	12		128	13.0%	value added		
Vehicle tax	0	paid jointly		fixed fee (CRC 8,000)		0.00	
Highway tax	1			various rates		0.20	
Tax on interest	0	withheld		8.0%	interest income	0.20	
Tax on land property	5			0.3%	registered value	0.40	
Property transfer tax	1			1.5%	sale price	0.50	
Municipal patent license	5			0.3%	sales	5.30	
Corporate income tax	5		18	30.0%	taxable profit	18.90	
Social security contributions	12		126	26.2%	gross salaries	29.50	

Totals

42

272

55.0

Making trade between countries easier is increasingly important for business in today's globalized world. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Trade facilitation tools such as electronic data interchange systems, risk-based inspections, and single windows help improve an economy's trading environment and boost firms' international competitiveness. *Doing Business* trade indicators take into account documents, cost and time associated with every procedure for trading a standard shipment of goods by ocean transport. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading costs than from a similar decrease of the tariffs applied to their products in global markets.

Some reform outcomes

In Georgia, reducing customs clearance time by a day has led to operational savings of an estimated \$288 per truck, or an annual \$133 million for the country's whole trading community given the growing amount of cross-border trade in recent years.

In Korea, predictable cargo processing times and rapid turnover by ports and warehouses provide a benefit to the Korean economy of some \$2 billion annually.

What do the Trading Across Borders indicators measure?

Trading Across Borders: exporting and importing by ocean transport

Rankings are based on 3 subindicators

Documents required to export and import (number)

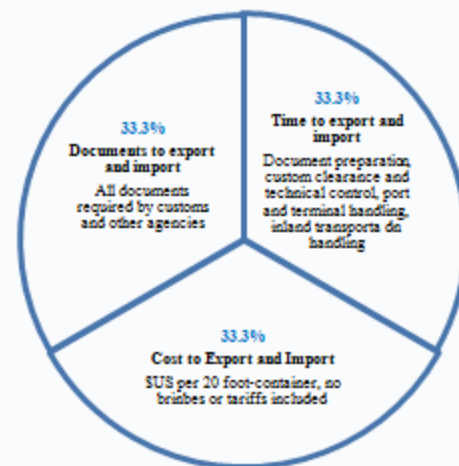
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes



Case Study Assumptions

The Business

- Has at least 60 employees and is located in the economy's largest business city
- Is a private, limited liability company, which exports more than 10% of its sales. It is fully domestically owned and does not operate in an export processing zone or an industrial estate with special export or import privileges

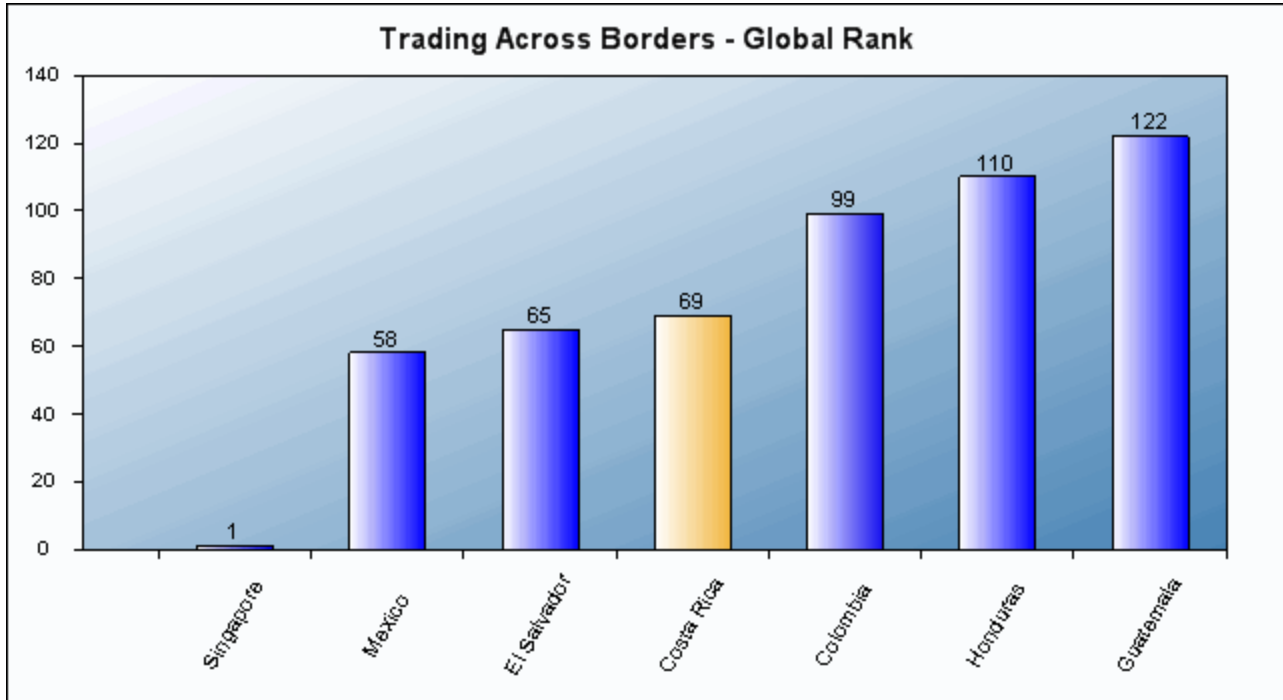
The traded product

- Is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000
- Is not hazardous or include military items; it does not require special phytosanitary or environmental safety standards, refrigeration or any other special environment
- Is one of the economy's leading export or import products

1. Benchmarking Trading Across Borders Regulations:

Costa Rica is ranked 69 overall for Trading Across Borders.

Ranking of Costa Rica in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for Costa Rica compared to good practice and comparator economies:

Good Practice Economies	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
Denmark*		5				
France	2			2		
Malaysia			450			
Singapore					4	439

<i>Selected Economy</i>						
Costa Rica	6	13	1190	7	15	1190

<i>Comparator Economies</i>						
Colombia	6	14	1770	8	13	1700
El Salvador	8	14	845	8	10	845
Guatemala	10	17	1182	10	17	1302
Honduras	6	19	1193	10	23	1205
Mexico	5	12	1420	4	12	1880

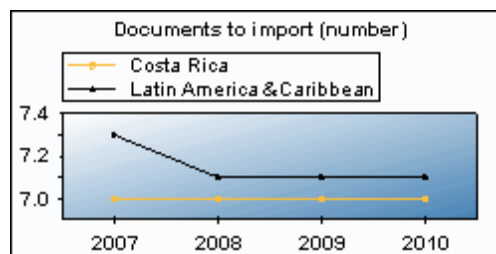
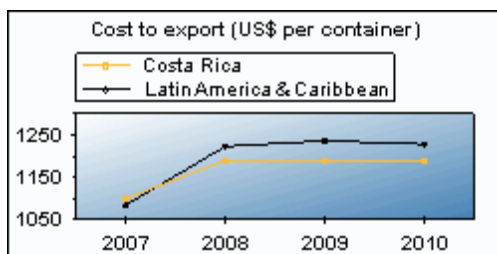
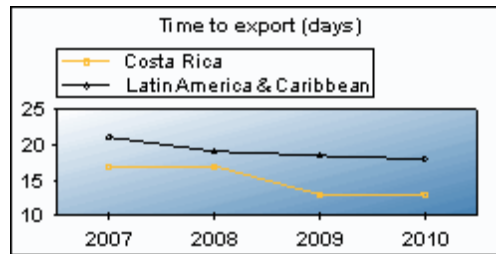
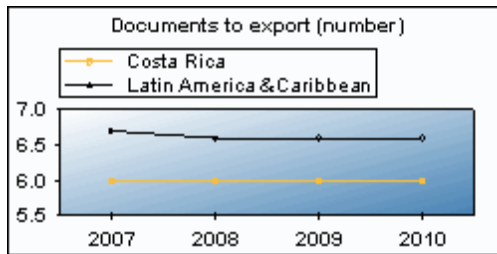
* The following economies are also good practice economies for :

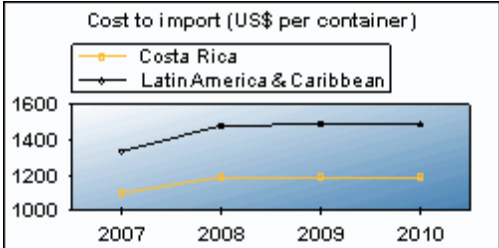
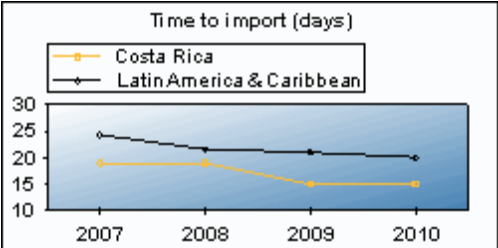
Time to export (days): Estonia

2. Historical data: Trading Across Borders in Costa Rica

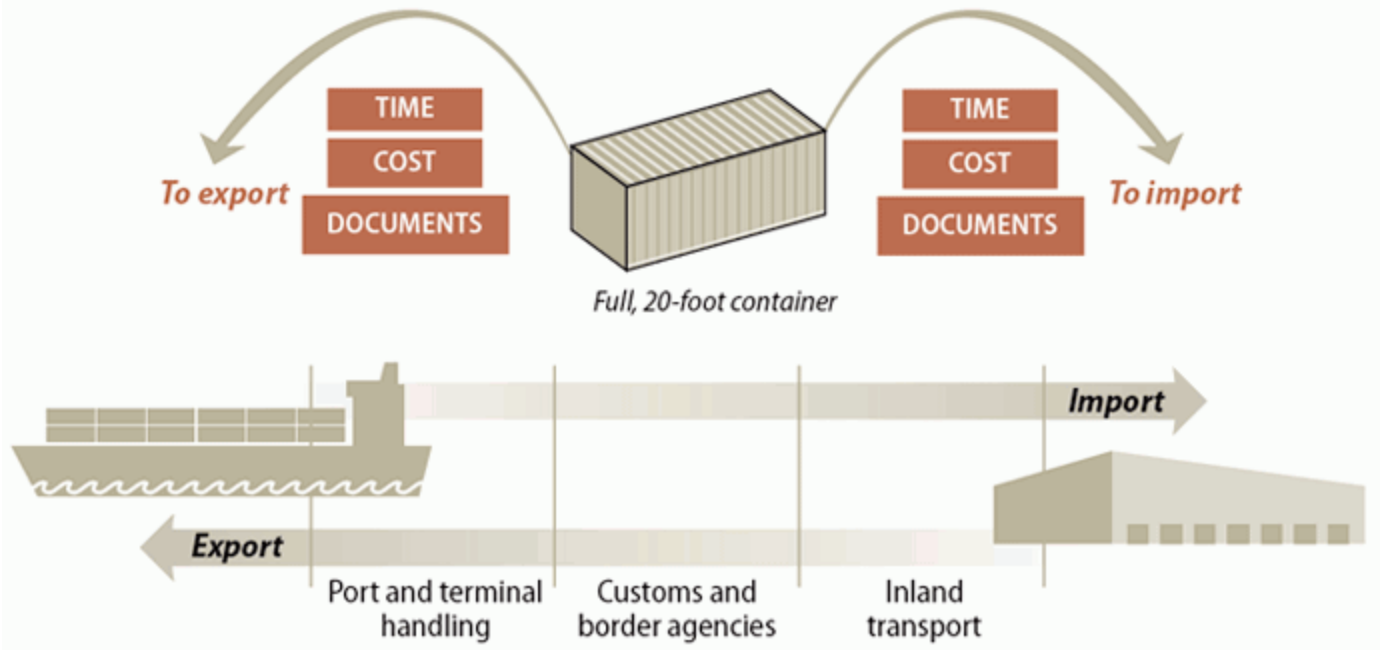
Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	64	69
Cost to export (US\$ per container)	1100	1190	1190	1190
Cost to import (US\$ per container)	1100	1190	1190	1190
Documents to export (number)	6	6	6	6
Documents to import (number)	7	7	7	7
Time to export (days)	17	17	13	13
Time to import (days)	19	19	15	15

3. The following graphs illustrate the Trading Across Borders sub indicators in Costa Rica over the past 4 years:





How much time, how many documents and what cost to export and import across borders by ocean transport?



These tables list the procedures necessary to import and export a standardized cargo of goods in Costa Rica. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	6	250
Customs clearance and technical control	2	200
Ports and terminal handling	3	250
Inland transportation and handling	2	490
Totals	13	1190

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	8	250
Customs clearance and technical control	3	200
Ports and terminal handling	2	250
Inland transportation and handling	2	490
Totals	15	1190

Documents for Export and Import

Export

- Bill of lading
- Commercial invoice
- Customs Export Declaration
- Insurance certificate
- Letter of compliance
- Terminal handling receipts

Import

- Bill of lading
- Certificate of origin
- Commercial Invoice
- Customs import declaration
- Insurance certificate
- Packing list
- Terminal handling receipts

Well functioning courts help businesses expand their network and markets. Where contract enforcement is efficient, firms have greater access to credit and are more likely to engage with new borrowers or customers. *Doing Business* measures the efficiency of the judicial system in resolving a commercial sale dispute before local courts. Following the step-by-step evolution of a standardized case study, data relating to the time, cost and procedural complexity of resolving a commercial lawsuit are collected through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Some reform outcomes

In Rwanda the implementation of specialized commercial courts in May 2008 resulted in a significant decrease of the case backlog, and contributed to reduce the time to resolve a commercial dispute by nearly 3 months.

In Austria a "data highway" for the courts that allows attachments to be sent electronically has produced savings of €4.4 million in postage alone.

What do the Enforcing Contracts indicators measure?

Enforcing Contracts: resolving a commercial dispute through the courts

Rankings are based on 3 subindicators

Procedures to enforce a contract (number)

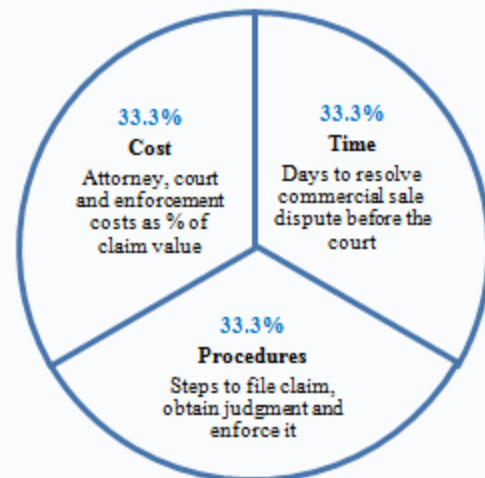
- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

Time required to complete procedures (calendar days)

- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

Cost required to complete procedures (% of claim)

- No bribes
- Average attorney fees
- Court costs, including expert fees
- Enforcement costs



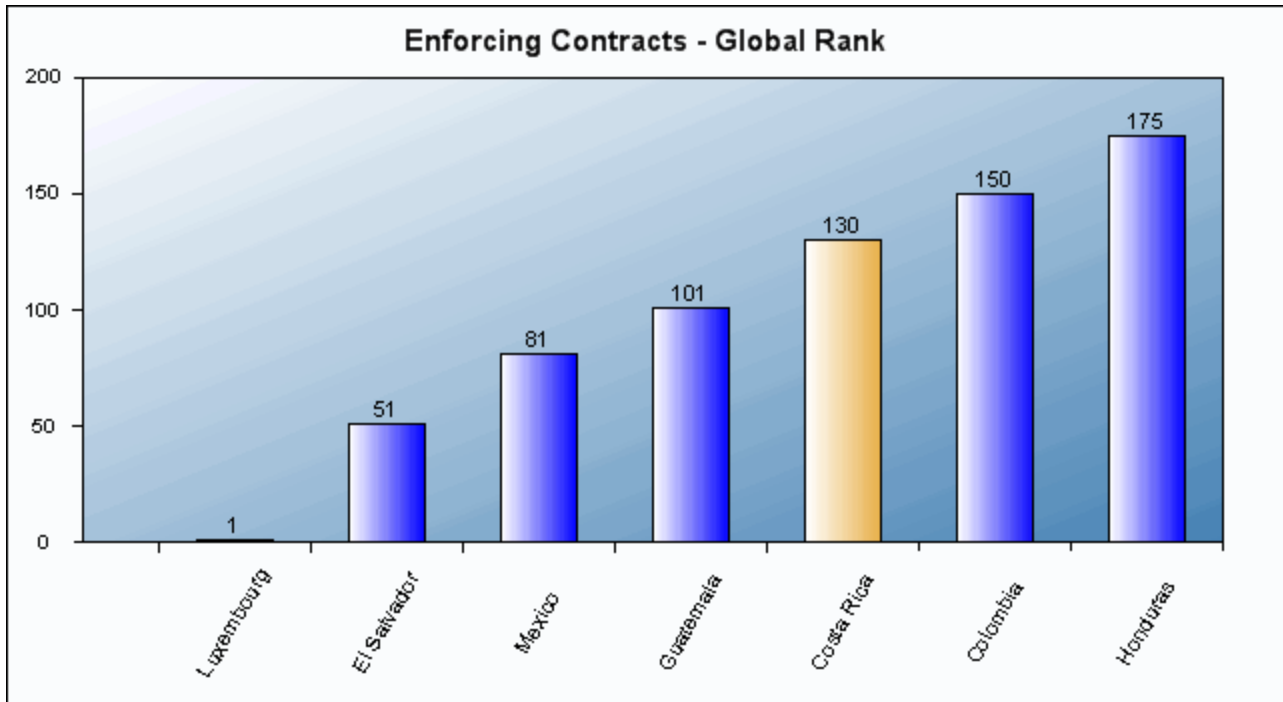
Case Study Assumptions

- Seller and Buyer are domestic companies
- Buyer orders custom-made goods, then does not pay
- Seller sues Buyer before competent court
- Value of claim is 200% of GNI per capita
- Seller requests pre-trial attachment to secure claim
- Dispute on quality of the goods requires expert opinion
- Judge decides in favor of Seller, no appeal
- Seller enforces judgment through a public sale of Buyer's movable assets.

1. Benchmarking Enforcing Contracts Regulations:

Costa Rica is ranked 130 overall for Enforcing Contracts.

Ranking of Costa Rica in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for Costa Rica compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of claim)
Bhutan			0.1
Ireland	20		
Singapore		150	

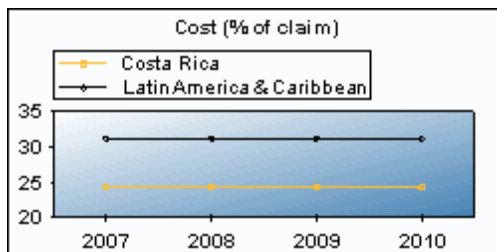
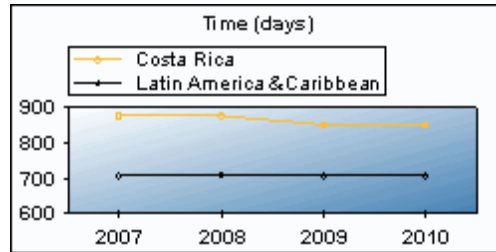
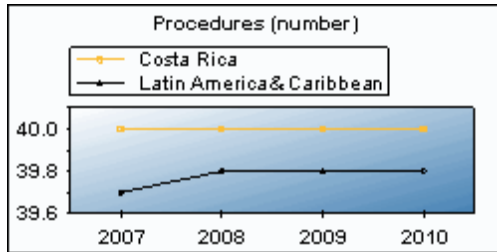
<i>Selected Economy</i>			
Costa Rica	40	852	24.3

<i>Comparator Economies</i>			
Colombia	34	1346	47.9
El Salvador	30	786	19.2
Guatemala	31	1459	26.5
Honduras	45	900	35.2
Mexico	38	415	32.0

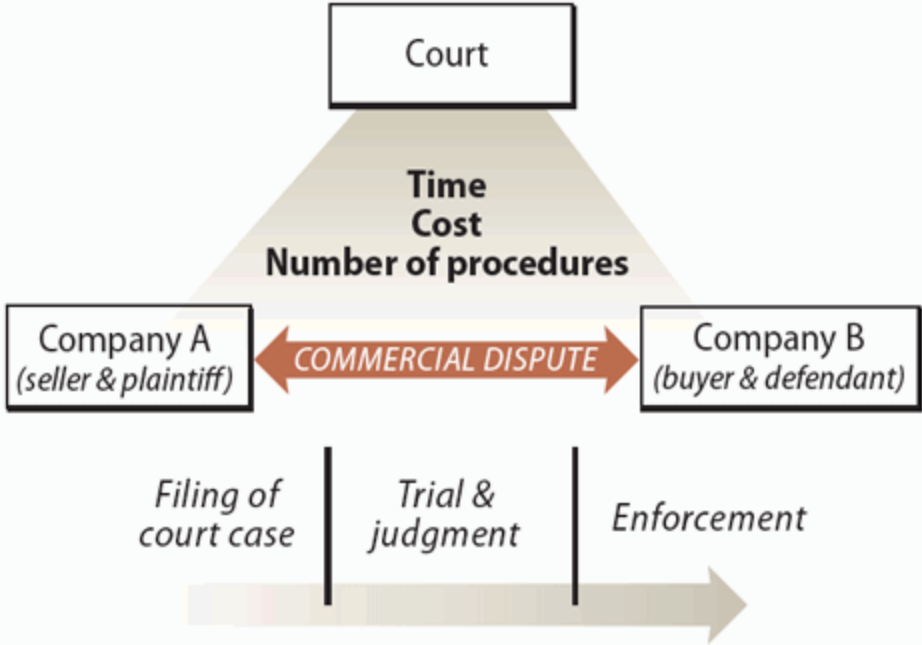
2. Historical data: Enforcing Contracts in Costa Rica

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	129	130
Procedures (number)	40	40	40	40
Time (days)	877	877	852	852
Cost (% of claim)	24.3	24.3	24.3	24.3

3. The following graphs illustrate the Enforcing Contracts sub indicators in Costa Rica over the past 4 years:



What are the time, cost and number of procedures to resolve a commercial dispute through the courts?



This topic looks at the efficiency of contract enforcement in Costa Rica.

Nature of Procedure (2010)	Indicator
Procedures (number)	40
Time (days)	852
Filing and service	45.0
Trial and judgment	547.0
Enforcement of judgment	260.0
Cost (% of claim)*	24.30
Attorney cost (% of claim)	20.0
Court cost (% of claim)	1.4
Enforcement Cost (% of claim)	2.9

Court information: San José Civil Court for High ("Juzgado Civil de Mayor Cuantía de San José")
Value Claims

* Claim assumed to be equivalent to 200% of income per capita.

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in businesses' speedy return to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses, and thereby improve growth and sustainability in the economy overall.

Some reform outcomes

A study of the 2005 bankruptcy reform in Brazil found that it had led to an average reduction of 22% in the cost of credit for Brazilian companies, a 39% increase in overall credit and a 79% increase in long-term credit in the economy. The purpose of the reform was to improve creditor protection in insolvency proceedings.

Following the introduction of debtor-in-possession reorganizations in Korea in 2006, the number of reorganization filings increased from 76 in 2006 to 670 in 2009.

What does the Closing a Business indicator measure?

Closing a Business: insolvency proceedings against local company

Time required to recover debt (years)

- Measured in calendar years
- Appeals and requests for extension are included

Cost required to recover debt (% of debtor's estate value)

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- All other fees and costs

Recovery rate for creditors (cents on the dollar)

- Measures the cents on the dollar recovered by creditors
- Present value of debt recovered
- Costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Outcome for the business (survival or not) affects the maximum value that can be recovered



Case Study Assumptions

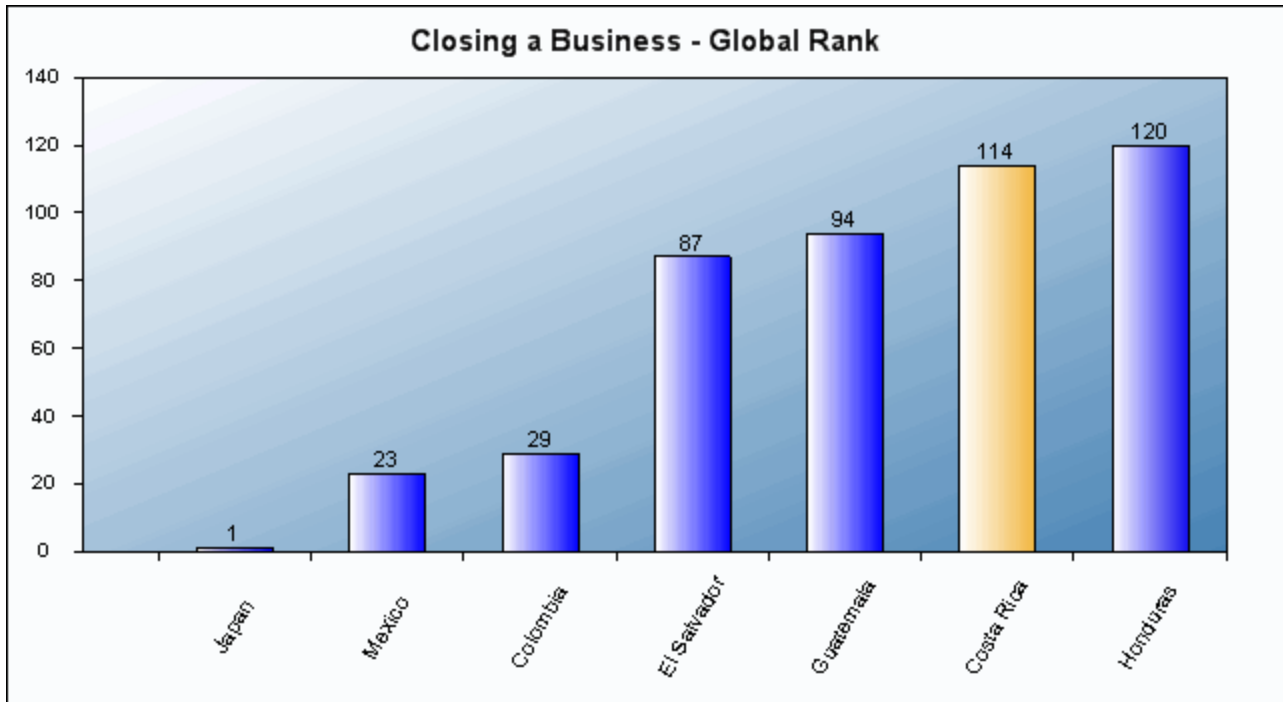
The Company

- is domestically owned
- is a limited liability company operating a hotel
- operates in the economy's largest business city
- has 201 employees, 1 secured creditor and 50 unsecured creditors
- has a higher value as a going concern and a lower value in a piecemeal sale of assets

1. Benchmarking Closing Business Regulations:

Costa Rica is ranked 114 overall for Closing a Business.

Ranking of Costa Rica in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for Costa Rica compared to good practice and comparator economies:

Good Practice Economies	Recovery rate (cents on the dollar)	Time (years)	Cost (% of estate)
Ireland		0.4	
Japan	92.7		
Singapore*			1

<i>Selected Economy</i>			
Costa Rica	21.2	3.5	15

<i>Comparator Economies</i>			
Colombia	62.4	3.0	1
El Salvador	29.2	4.0	9
Guatemala	27.5	3.0	15
Honduras	19.9	3.8	15
Mexico	66.7	1.8	18

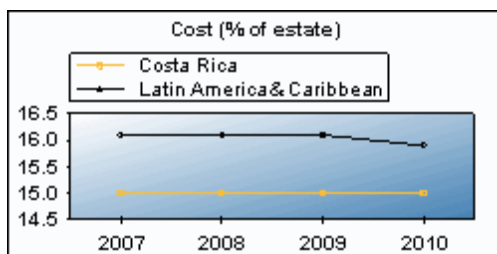
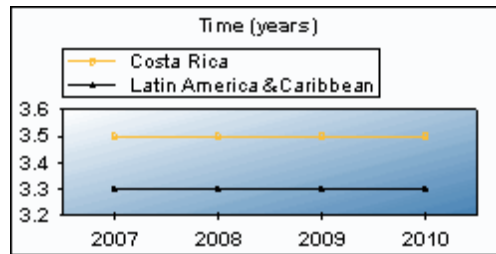
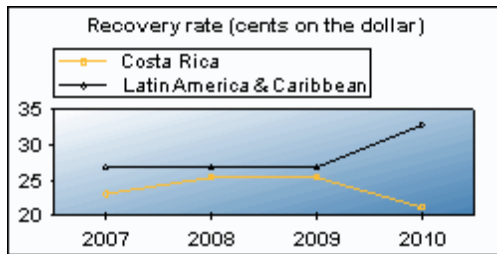
* The following economies are also good practice economies for :

Cost (% of estate): Colombia, Kuwait, Norway

2. Historical data: Closing Business in Costa Rica

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	100	114
Time (years)	3.5	3.5	3.5	3.5
Cost (% of estate)	15	15	15	15
Recovery rate (cents on the dollar)	23.1	25.4	25.4	21.2

3. The following graphs illustrate the Closing Business sub indicators in Costa Rica over the past 4 years:



Since 2004 Doing Business has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening access to credit and enforcing contracts by measuring their impact on 10 indicator sets . * Nearly 1,000 reforms have had an impact on these indicators. *Doing Business 2011*, covering June 2009 to June 2010, reports that 117 economies implemented 216 reforms to make it easier to start a business. 64% of economies measured by Doing Business have reformed this year, focusing on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

The top 10 most-improved in Doing Business 2011

Economy	Indicator									
	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Employing Workers
Kazakhstan	✓	✓				✓	✓			
Rwanda		✓		✓			✓			
Peru	✓	✓	✓				✓			
Vietnam	✓	✓		✓						
Cape Verde	✓		✓				✓			
Tajikistan	✓				✓		✓			
Zambia	✓						✓	✓		
Hungary		✓	✓				✓			✓
Grenada	✓		✓				✓			
Brunei Darussalam	✓						✓	✓		

 Positive Change
 Negative Change

* For *Doing Business 2011* the Employing Workers indicator is not included in the aggregate ease of doing business ranking.

Summary of changes to business regulation in top 10 most improved economies in *Doing Business 2011* and selected comparator economies.

Brunei Darussalam	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
Cape Verde	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
Colombia	Colombia eased construction permitting by improving the electronic verification of prebuilding certificates.
Grenada	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
Hungary	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
Kazakhstan	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
Mexico	Mexico launched an online one-stop shop for initiating business registration. Mexico improved construction permitting by merging and streamlining procedures related to zoning and utilities. Mexico increased taxes on companies by raising several tax rates, including the corporate income tax and the rate on cash deposits. At the same time, the administrative burden was reduced slightly with more options for online payment and increased use of accounting software.
Peru	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
Rwanda	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.
Tajikistan	Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority. Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors. Tajikistan lowered its corporate income tax rate.

Vietnam

Vietnam eased company start-up by creating a one-stop shop that combines the processes for obtaining a business license and tax license and by eliminating the need for a seal for company licensing. Vietnam made dealing with construction permits easier by reducing the cost to register newly completed buildings by 50% and transferring the authority to register buildings from local authorities to the Department of National Resources and Environment. Vietnam improved its credit information system by allowing borrowers to examine their own credit report and correct errors.

Zambia

Zambia eased business start-up by eliminating the minimum capital requirement. Zambia eased trade by implementing a one-stop border post with Zimbabwe, launching web-based submission of customs declarations and introducing scanning machines at border posts. Zambia improved contract enforcement by introducing an electronic case management system in the courts that provides electronic referencing of cases, a database of laws, real-time court reporting and public access to court records.



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