

Paradise Post

News From Ojochal, Costa Ballena,
Costa Rica and Beyond

July 2014



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Updates from the Osa

The 6th annual Whales & Dolphins Festival is coming up in Costa Ballena. It runs for 2 weekends; September 5th, 6th & 7th and the 12th, 13th & 14th. There will be discounts on whale watching tours and other trips as well as hotel and restaurant discounts. The festival also includes the Costa Ballena Beach Run which will take place on Saturday September 6th and is fun for the whole family. It also includes a MT13 mountain bike race starting at the Salon Comunal in Bahia Uvita. It's a busy and fun time to be in the area.

The Costa Ballena Women's Network continues to enjoy guest speakers at their meetings each month. In July they heard about ways to save electricity from "Electro Jedy". You can find monthly information from the group on Facebook by searching Costa Ballena Womens Network.

Both of the BM Supermarkets in Uvita are renovating and expanding their

space. In Ojochal, La Jungla has opened a branch ferretería in the Cinco Ventanas Place. A full service Tourist and Business Center has also opened in the Delfin Plaza in Ojochal. Good indications of steady growth in our area.

There is also major resurfacing being undertaken along the Costanera highway so please drive carefully as there are no road markings for long stretches.

During the month of August, Royal Palm Interiors is having a Costa Rican Mother's Day sale with 20% off their luxurious bamboo sheets, a perfect gift for Mom.

Kristina Welburn
Kristina@PacificLots.com

Costa Rica Loses 3000 Jobs

A convergence of events has taken toll on the employment front in Costa Rica. Intel, the largest employer in Costa Rica, recently announced that it would be closing a large portion of its computer chip manufacturing facility and laying off 1500 workers. Intel currently employs about 2500 workers and did state that it would be hiring 200 new employees for research and design work, bringing Intel's workforce to around 1200.

Keep in mind that foreign direct investment has grown an average of 15% per year since 2002. In 1999 Intel accounted for over 30% of all exports from Costa Rica whereas by 2013 they accounted for only 13.7% of exports due to the increase in diversity in manufacturing. The new administration is already seeking to attract new foreign direct investment in the biotech and nanotech industries.

Bank of America announced that it would be closing much of its service center in Costa Rica and eliminating 1400 jobs. This was part of a worldwide restructuring by BOA that will eliminate 16,000 jobs worldwide, primarily in Costa Rica, Mexico and the Philippines.

Startek, a multinational operator of call centers announced the closure of its Heredia Costa Rica center and the layoff of 550 workers. Startek, headquartered in Colorado, has other international facilities in Canada, the Philippines and Honduras as well as a number of US offices.

MABE appliances, a Mexican manufacturer of kitchen appliances announced the planned layoff of 350 workers last month at its plant in Costa Rica. MABE currently enjoys over 70% market share of the appliance market in Latin America. GE partnered with MABE in the mid 1980's to take advantage of the cheap labor market in Mexico and most of GE's appliances are currently produced at MABE's factory in San Luis Potosi, Mexico. The Costa Rica plant produced ovens and refrigerator parts and the oven line will be discontinued.

Total PET Packaging announced the closure of its plastic recycling plant and layoff of between 110 and 120 workers.

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Changes in the CAJA fees for Healthcare for Expats in Costa Rica



Costa Rica recently changed the cost structure for health insurance for expats. The changes have resulted in a significant increase in cost for younger expats living in Costa Rica. First let's look at some background information. The immigration reform Act of 2010 now requires that any foreigner establishing residency in Costa Rica must join and contribute to the CAJA. The CAJA (Caja Costarricense de Seguro Social or CCSS) is the social security program in charge of the healthcare system in Costa Rica.

The new rates vary depending on age and immigration status. Pensionados (retirees) over 55 years of age will now pay \$75 per month to the CAJA, those under 55 will pay \$139 per month. Rentistas (renters) over 55 are now required to pay \$232 per month while rentistas under 55 will pay \$442 per month. These rates have been determined based on a pensionado having \$1000 per month minimum in retirement income from a source outside of Costa Rica and for a Rentista to have \$2500 per month minimum income from outside of Costa Rica. The purpose of this new rate structure reinforces the fact that Costa Rica does not want younger working class immigrants who will likely take jobs away from Costa Ricans. Those under 55 will pay about twice what those over 55 will pay.

New Neighbors

Peter (Austrian) and Carolina (Colombian and Australian) are two globetrotters working in international agricultural research - Peter as a research manager and Carolina as an intellectual-property lawyer. They currently live with their two sons, cat and dog in Mexico, after more than a decade of working in Australia. When

Peter visited Pacific Lots, he instantly fell in love with the spectacular mountain views from a lot in the phase known as Eternal Life In The Tropics. They intend to build a home for vacations and future retirement, surrounded by tropical fruit and veggie gardens.



Investment Parcels in Costa Rica

I'm asked from time to time about larger parcels available for purchase in Costa Rica. Inquiries are from investors looking to own non monetary assets offshore, individuals looking to own a farm, ranch or larger tracts of raw land or from people interested in developing home sites, hotels or for commercial use. We've also had requests for land for carbon credits or environmental preservation and people who just want to get out of the dollar. We are approached by sellers with available parcels from time to time and lately I've been working with buyers looking for bargains or distressed sellers.

Parcel #1 - This is a Foreclosure Parcel, a 975 acre farm located just 20 minutes to Manuel Antonio, the most visited location in all of Costa Rica. This parcel is farmland and recently appraised for \$2.66 million. The property has a large ridge of ocean view as well as a waterfall on the parcel. The parcel last sold for nearly \$3 million dollars and I've got it listed right now at \$1.35 million, WOW!



Overview of Location

Parcel #2 - This nearly 300 acre recreation area parcel is in central Costa Rica near Turrialba Volcano. Much of the land is virgin forest. Beautiful wilderness property, 114 hectares with deed and parcel survey, registered in the public registry. The parcel is just 40 minutes from the center of Turrialba. . 60% virgin forest including old-growth Chancho, Roble Negro, Copal, Cedro Dulce; 40% reforested in Caribe, Cedro Mana, Roble, Nogal. Reforestation project began 36 years ago, has been left to grow to natural state for last 10 years. Opportunity for Carbon Credit, Conservation efforts or to offset whatever bad press or publicity your business may have accrued. Preserving rain forest is a great way to boost your public image through conservation. Price is \$280k

Costa Rica has a New President Elect

Luís “Guillermo” Solís became president of Costa Rica on Thursday May 8th, 2014. He received a landslide 77.8% of the votes in the presidential runoff with National Liberation Party candidate Johnny Araya, unusual due to the fact that he is from neither of the two prominent ruling parties in Costa Rica. It was the first time in 44 years that a third party candidate has won a presidential election. He’s a member of the Citizen Action Party (PAC).

Guillermo is not a lifelong politician; in fact he’s never held political office prior to being elected president. He’s 56 years old and Costa Rica’s 47th president. Past public service includes having worked as Costa Rica’s ambassador for Central American affairs in the mid 1990’s as well as having served in the foreign ministry under several

administrations in the past.

He attended the University of Costa Rica as an undergrad and received a Master’s degree from Tulane University in Louisiana. Most of his career has been as an educator and he’s taught at both the University of Florida and the University of Michigan.

He has six children with his unmarried partner Mercedes Penas Domingo. On gay pride day this year Guillermo raised the gay pride flag beside the Costa Rican flag in front of the presidential residence. This is believed to be the first time a gay pride flag has been raised at the offices of the heads of state anywhere in the Americas. He’s also chosen to forego a full police escort when out and about.

You can tell Monopoly is an old game because there’s a luxury tax and rich people can go to jail!

FATCA Starts Implementation July 1

July 1st is the first day of the transition of the Foreign Account Tax Compliance Act (FATCA) Law, affecting financial institutions worldwide. The US Treasury estimates that nearly \$100 billion dollars is lost each year to US nationals holding investments offshore and FATCA has been set up to help locate both the holders of these assets as well as the financial institutions where they are potentially located.

The “teeth” of the law are both a 30% withholding tax on any transaction to a non compliant financial institution as well as huge fines and penalties including jail time to any US citizen found hiding assets. The size and dominance by the US economy makes failure to comply to report holdings by Americans by foreign institutions nearly impossible. The US is one of the few countries that practices worldwide income taxation, even if a US citizen is living entirely abroad. Only Switzerland and Eritrea has similar worldwide taxation policies.

FATCA has been delayed twice before to allow time for the development of Inter Governmental Agreements (IGA’s) but the reality is that the cost to implement FATCA to a foreign bank or financial institution is huge. It is estimated that for the top 30 banks worldwide, the cost to review its deposits to verify whether held by any Americans will cost an average of \$250 million dollars per institution. Some of these institutions have simply decided to terminate agreements with any American and close their accounts rather than having to maintain constant compliance. Many Americans living abroad are finding it difficult to find financial institutions willing to take their deposits. Financial institutions worldwide have been categorized into four baskets of compliance. (see the compliance chart on page 5) There have been some dissenters however, with China failing to comply on nearly every front and running out of time to even be able to comply. Interesting times are ahead....

Costa Rica the Top Tourist Destination

According to the Global Tourism Monitor Survey Costa Rica is the best place to vacation. The surveyors, based out of the U.K., asked more than 23,000 people in 26 countries worldwide to identify countries they had visited in the past 12 months and the likelihood of recommending the destination to others.

No other country in Latin America made the top 10.

Top 10
1. Costa Rica
2. Austria
3. Israel
4. New Zealand
5. Italy
6. Japan
7. Croatia
8. USA
9. Norway
10. Canada
10. Greece
10. UK
Bottom 10
1. Tunisia
2. Indonesia
3. China
4. Malaysia
5. Ukraine
6. India
7. Cambodia
8. Albania
9. Russia
10. Bulgaria



Costa Rica's New Trade Agreements

Costa Rica used to be known for exports of coffee and bananas. Agricultural exports are still important, specifically coffee, bananas, pineapple, lumber and sugar but these days the lion's share of GDP comes from electronics, pharmaceuticals, software development, service outsourcing through call centers and tourism. Costa Rica established 14 free trade zones (Industrial Parks) to attract foreign direct investment as well as free trade agreements with many important markets worldwide. In 2002 Costa Rica formed a trade alliance with Canada. In 2004 Costa Rica ratified membership in CAFTA, the Central American Free Trade Agreement, opening markets and reducing tariffs within Central America and the US. In 2007 the country obtained full membership with the Asia-Pacific Economic Co-operative Forum (APEC). In May of 2013 Costa Rica approved the association with the European Union and in February of 2014 Costa Rica began review of an

offer to join the Pacific Alliance, a trade block including Mexico, Colombia, Peru and Chile. Though Costa Rica currently has individual agreements with all of these countries, the trade allowances are higher under the Pacific Alliance agreement. There has been some concern however from the agricultural and industrial sectors of Costa Rica. In 2014 the Financial Times retained Costa Rica in the top spot as the number one destination country in the region for Foreign Direct Investment.

<http://www.fdiintelligence.com>



Major Democratic Donor Gets Job as Ambassador to Costa Rica

President Obama recently named Stafford Fitzgerald Haney as the next Ambassador to Costa Rica. Haney, a major donor to Obama's Presidential campaign, is currently both a principle and director of Business Development and Client Services EMEA (Europe, the Middle East and Africa) for Pzena Investment Management Inc. Pzena is a publicly traded investment management services company catering to high net worth individuals, investment companies, state and federal government entities, charitable organizations, pension, profit sharing and other pooled investment vehicles. Haney has both a BS and MS from Georgetown University. Prior to Pzena, Haney worked for the Depository Trust and Clearing Corporation (DTCC) and an Israeli seed Venture Capital firm before DTCC. Haney donated \$78,944 to the Democratic Party in 2012. Roughly 30% of all US Ambassadors are political appointees with 70% as Foreign Service career professionals. Ambassadors are often expected to host parties and dinners beyond the means provided by the budget for the Embassy, so political appointees are often given to wealthy donors with the means to entertain foreign nationals.



Costa Rica Still Best for Business

In 2014, FTI Consulting ranked Costa Rica as the safest place to do business in Central America, The World Bank's Worldwide Governance Indicators 2012 ranks Costa Rica 2nd for Political Stability and Absence of Violence Index in all of Latin America, and poverty rates have been reduced to below 18%. Furthermore The World Economic Forum's Global Competitiveness Report ranks Costa Rican education as the best in Latin America, and the 22nd best worldwide. Many of the country's 60 universities and 95 technical colleges focus on training students specifically for employment with foreign investors and multinationals. See more at:

<http://www.fticonsulting.com>

Costa Rica adds Big Surprises to the World Cup

When Costa Rica beat Uganda 3 to 1 in their first match, people were surprised. Uganda was a favorite and odds makers had odds at 3 to 1 that Uruguay would win that match.

Their second match against Italy had odds makers strongly favoring Italy after they'd beaten England 2 to 1 but again Costa Rica proved superior. In the final match of Group D, Costa Rica drew a tie with England but secured the top spot as winner of Group D in a penalty shootout after double overtime.

Odds makers had Costa Rica as a 40 to 1 long shot on winning the World Cup after winning Group D but after two overtime periods with the Netherlands, Costa Rica was finally eliminated in the penalty shootout phase. That's the furthest Costa Rica has ever progressed in the World Cup and they are proud of it.

FATCA Compliance by Country



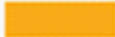
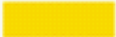
You will notice in the Table below that Costa Rica is in full compliance with the model 1 IGA intergovernmental compliance. This means that Costa Rica has agreed to full disclosure of any financial assets owned within Costa Rica by US citizens. Candidly every country is quickly realizing the need to comply. In order to continue to do business with the US, financial institutions in Costa Rica can either comply or be subject to 30% withholding on every transaction to and from that institution and any financial institution based in the US or any other country in compliance. The scary part of FATCA is that many other countries worldwide have embraced, rather than rejected the concept. It seems everyone is looking for ways to collect taxes wherever possible or to at least know where the money is.

Model 1 Intergovernmental Agreement

Foreign Financial Institutions in partner jurisdictions will be able to report information on U.S. account holders directly to their national tax authorities, who in turn will report to the IRS.

Model 2 Intergovernmental Agreement

Designed to address potential conflicts of national and local laws that would make it difficult for Foreign Financial Institutions in some jurisdictions to comply with FATCA.

			
<p>Model 1 IGA signed: Australia, Belgium, Canada, Cayman Islands, Costa Rica, Denmark, Estonia, Finland, France, Germany, Gibraltar, Guernsey, Hungary, Honduras, Ireland, Isle of Man, Italy, Jamaica, Jersey, Liechtenstein, Luxembourg, Malta, Mauritius, Mexico, Netherlands, New Zealand, Norway, Slovenia, Spain, South Africa, United Kingdom.</p>	<p>Model 1 agreed in substance: Antigua and Barbuda, Azerbaijan, Bahamas, Barbados, Belarus, Brazil, British Virgin Islands, Bulgaria, Colombia, Croatia, Curacao, Cyprus, Czech Republic, Georgia, India, Indonesia, Israel, Kosovo, Kuwait, Latvia, Lithuania, Panama, Peru, Poland, Portugal, Qatar, Romania, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Seychelles, Singapore, Slovak Republic, South Korea, Sweden, Turkey, Turkmenistan, Turks and Caicos Islands, United Arab Emirates.</p>	<p>Model 2 signed: Austria, Bermuda, Chile, Japan, Switzerland.</p>	<p>Model 2 agreed in substance: Armenia, Hong Kong, Paraguay.</p>

FATCA includes a new 30% withholding tax, but the IRS has publicly said that it hopes to generate zero revenue from it. The IRS would much rather know which Americans are using non-U.S. accounts and investment vehicles, which the IRS presumes are often used to evade U.S. income taxes. The withholding tax is designed to compel disclosures, not generate revenue.

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July 1

30% U.S. withholding tax will apply to payments of certain U.S. source income (e.g., dividends, interest, insurance premiums) made to non-U.S. financial institutions (FFIs) ... UNLESS FFI establishes by registration it is in compliance with registration and disclosure of all US account holders.

Here it is July already and moving right through summer. Last month we sponsored International Livings (IL) "Ultimate Event" which took place in Puerto Vallarta Mexico. We stole the show and had the best attendance ever for our presentation on Costa Rica. This month we're hosting the International Living event "Fast Track Costa Rica" that will be held at the InterContinental Hotel in San Jose.

Summer is our second busiest season especially since IL hosts an event in Costa Rica at this time each year. We have 5 tours scheduled in the month of July and so far 3 out of 5 have been sold out. We'll be at the AARP show in San Diego in September.

The other really big news is that my daughter Alex is getting married on the 12th of July, which will likely already be over by the time you are reading this newsletter. It's a big moment for her and I wish them a great life together.

Be sure to come visit us at Pacific Lots when you get a chance. We continue to offer great value home sites in the southern Pacific region of Costa Rica and the developer will be celebrating 25 years in business this year, the oldest and largest development in the entire country.

You can see our tour schedule on the front page of our website in the lower left corner of the page. There's an online sign-up button there as well, it's easy to sign up and in nearly 10 years of running our tours, we've never had anyone comment that they did not have a great time and learn a lot. And we have no sales presentation so come on down. Look for our advertisement this month in the Spanish section of the Delta Sky Magazine, If you have not yet "Liked" Pacific Lots Facebook page, perhaps this is a good time to do so at www.Facebook.com/pacificlots



Steve Linder
Steve@PacificLots.com
305-295-0137
877-481-0300

Stephen Linder

Imagine Living here, the ocean view, the breeze, the sunset over the Pacific, the pool

