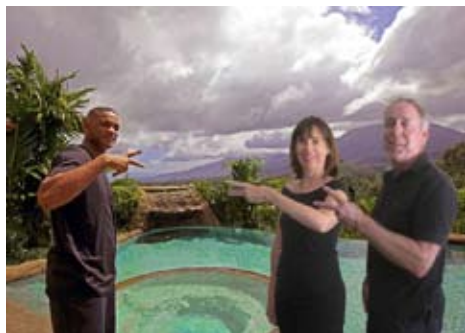


Paradise Post

News From Ojochal, Costa Ballena,
Costa Rica and Beyond

April 2012



Will Smith filming in Costa Rica

Costa Rica's Main Airport one of the Top 3 in Latin America

Airport Council International (ACI), considered the Voice of the World's Airports, has once again recognized Costa Rica's Juan Santamaría International Airport as the 3rd best in Latin America and the Caribbean. The ACI Airport Service Quality Awards are determined by interviewing over 1,400 people in more than 1650 airports in 179 countries to decide which provide the best customer service. Seoul, Korea was named the best in the world and Cancún, Mexico and Guayaquil, Ecuador were the top 2 in Latin America.



Updates from the Osa

Trash collection is now available to some of the phases in Ojochal and expanded recycling services along the Costa Ballena have made the residents very happy. Also, roads are slowly being paved and sidewalks are being added to our community.

Escuela Verde had another successful school fundraiser which brought in money for programs and scholarships. The southern zone also just celebrated "The Festival of the Spheres" in Palmar Sur. Our area was also fortunate to have a group of Canadian cyclists visit to promote cycling and to produce a map for others to use.

Coco Lindo in Ojochal has been

hopping with Latin dance classes on Tuesdays and BBQ afternoons on Sunday. Also, Roadhouse 169 Bar & Grill has expanded their menu to include Filet Mignon and Tuna steaks. The good food and live music has kept them quite busy through the season. We hope to see you there.

Kristina Welburn

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Tax Reform Plan Shut Down

If you've been following the progress regarding President Laura Chinchilla's tax reform you've seen it's been quite a ride. The proposed law has been hotly debated and aimed to raise tax revenue by 1.5 percentage points of GDP generating an additional \$850 million. It was a move to help reduce the growing fiscal deficit. It also aimed to impose a 15% tax on companies in the tax free zones after 2015 and a 14% value added tax.

Last month two of Costa Rica's Senior Finance Ministry officials with key roles in drafting the proposed legislation resigned after it was discovered that they were dodging their own taxes. The Director of Direct Taxation, Francisco Villalobos, resigned one day after Finance Minister, Fernando Herrero stepped down. This follows the news that Costa Rica had its first conviction for tax fraud. A businesswoman was sentenced to 10 years in prison for faking expenses and not paying sufficient taxes. President Chinchilla just named Edgar Ayales the new

Finance Minister. Ayales is a graduate of the University of Kent in England and has helped draft many of Costa Rica's tax laws. He's been a consultant with Banco Central and worked with the International Monetary Fund.

Just weeks ago the Constitutional Chamber of Costa Rica's Supreme Court declared the proposed tax reform bill unconstitutional primarily because procedures were not properly followed when extending debate deadlines and numerous motions that substantially changed the bill were not published.

Those opposing the tax reform have stated that if the country becomes better equipped to monitor and collect taxes and prosecute for tax evasion there would be no need to raise taxes. President Chinchilla just announced a stopgap measure that she expects will generate about 1/2 the tax revenue the initial reform was expected to garnish. She said that she will increase the tax on luxury items while eliminating tax on basic items to protect those with low

incomes. Luxury items include better cuts of meat, salmon, shrimp, lobster, peaches, cherries and bottled water. Tax free items will include school supplies such as uniforms and notebooks. She also said that the government will sell off some of its real estate, freeze salaries and per diem fees paid to boards of directors. She will also reduce funds the central government pays to political parties. She admitted that these measures aren't enough to resolve the country's financial issues and that a progressive tax structure is still necessary.

President Chinchilla also announced that she would create a new tax fraud unit with specialized auditors to go after high-profile fraud cases.



Paying Costa Rica Taxes Gets Easier

Although Costa Rica's fiscal reform package did not pass, recent reforms in tax administration have been a step forward. The country rose 18 spots in the World Bank rankings of the world's easiest tax compliance regimes.

The annual World Bank report assesses regulations in 183 economies and ranks them on the basis of ease of starting a business, insolvency resolution, cross-border trade and ease of paying taxes. Widespread use of online payment for social security contributions is one system that has benefitted businesses in Costa Rica. Costa Ricans are however, spending an average of 246 hours per year in tax compliance.

President Chinchilla has also announced during her televised speech last week that she's implementing an electronic system for reporting sales tax.

The IRS Sharply Criticized by U.S. Taxpayer Advocate, Nina Olson

The U.S. is also looking at numerous methods to deal with budget shortfalls. The country has recently begun scrutinizing citizens who own assets in other countries.

Previously a U.S. taxpayer who held \$10,000 or more in a bank account in Costa Rica (or any foreign country for that matter) was supposed to report it to the IRS. Taxpayers who held over \$10,000 in assets at any time of the year through passive foreign investment companies were also required to report that information.

There is currently a bill making its way through Congress that seeks to revoke the passports of those owing more than \$50,000 in back taxes.

Also, Nina Olson, the current U.S. Taxpayer Advocate with a staff of 2,200 and the only IRS employee authorized to make legislative proposals directly to Congress has criticized the IRS for unfair treatment of overseas taxpayers.

Olson has accused the agency

of bait and switch. She cited the overwhelming complexity and cost of compliance, the risk of steep civil and criminal penalties and the need for better IRS services for U.S. taxpayers living overseas as well as for small businesses involved in international activity.

Many participants in the U.S. Offshore Voluntary Disclosure Program have had no idea that they had to make a tax declaration to the US (the only country in the world besides Eritrea a country in Africa with a poor human rights record) which taxes on the basis of citizenship instead of residence. Olson wrote "a more effective initiative would have prompted even more taxpayers to come into compliance without leaving those who did come forward feeling terrified, tricked or cheated." Most U.S. citizens living abroad owe no taxes to the U.S. but without filing can be subject to large fines and penalties. Furthermore the IRS need simply suggest you owe more than \$50,000 in back taxes to withhold your citizenship.

Welcome to the Neighborhood

Daniel and Chayapat “Cha Cha” are in their mid 40’s living in the coldest city in Alaska, Fairbanks, brrr.... Daniel’s an Electrician and his wife is from Thailand. She runs a Thai Restaurant in the summer and enjoys the cold winters by the fireplace. They’re looking to open the first Thai restaurant in the Ojochal area by the end of this year and if all goes well they’ll be happy to reside there year round.



Chayapat



Daniel

Valeriy “Val” is from St. Peterburg, Russia (not the one in Florida). He came to Minnesota in 1995 and after getting his MBA in 1997 settled down in Minneapolis. He worked in different capacities (manager of Sam’s, Oracle database Administrator), since 2003 as well as owned White Bear Heating and Air Conditioning LLP. Business was not going well so he began to do more interpreting work for hospitals, clinics and courts.

Val’s traveled to many countries including Finland, Norway, England, Spain, Australia and some others (Caribbean and Mexico) and found that Costa Rica is one of the loveliest places on earth. He wants to help Russians with buying properties from Pacific Lots and potentially settling down in CR. He holds dual citizenship: USA and Russia and visits Russia and the Ukraine regularly. One of his sons lives in Moscow (speaks French and English) another one lives in St. Petersburg and speaks English so he hopes they will come to CR to see it for themselves.



Val looking handsome in Chontales



And silly on a little horse

Charles is from Beaverton, Oregon. He grew up in the small town of Roslyn in Central Washington State, better known as Cicely, Alaska to those who followed the TV series “Northern Exposure”. After high school he ended up in Seattle working for the Boeing Co., and Honeywell Inc. He says “several years working in aerospace and marine systems for the Navy was diverse and interesting to say the least”. At Boeing, he was part of the team working on the Lunar Orbiter project which orbited the moon and photographed landing sites for the following Apollo Program. At Honeywell, he became the Assembly Supervisor for the Mark-46 Torpedo program, then moved into a position of Plant Engineer.

He’s now employed as a Facilities Manager/Designer for a 100-store restaurant chain. In his spare time he designs and builds fused and stained glass art and also does custom picture framing which became an addition to his passion for photography. Photography is the reason he found himself in Costa Rica. After traveling to many parts of the world, he realized he had a special need to return to Costa Rica and possibly consider a retirement home. He says “ I made the move after seeing Steve’s Pacific Lots advertisements, scheduled a trip and met the fantastic group of people at Ventana. Now my mind is full of ideas, plans and conceptual drawings for the property I’ve just purchased.”



Charles

There’s a new place to stay just south of Ojochal in Vergel de Punta Mala (about 3 kilometers south of Ojochal) called the Rio Tico Lodge. Owners Cees and Miranda are from Holland and spent nearly 3 years working on the property. There are 9 jungle tents and three “hotel style” rooms in the main building. The custom tents are built on platforms each with nifty bamboo bathrooms with full showers. The tents are luxurious and the setting is “Jungle Hip”. Accessible by 2 wheel drive rates are \$55 per night for tents and \$7 pp for a healthy breakfast of eggs, breads and fresh fruits.

www.RioTico.com

The Great Green Macaw Release Part 2!

August 8th was the big day chosen for the first ever worldwide release of the Great Green Macaw at Punta Uva on the south Caribbean Coast of Costa Rica by The ARA Project. 2 of the 10 chosen macaws were released. It was an amazing moment and to see these birds fly is truly spectacular and only in flight do you see their full range of colours a dazzling combination of greens, blues and reds.

The initial days post release is critical for the birds with a whole new set of skills to learn. The birds had never flown such distances and speed creating the problem of stopping and getting down from the tops of the canopy. Part of our release technique is to supplement the macaws diet in feeders hung in the trees for a period of 2 months or more post release. This allows the birds time to slowly adapt to finding



their own food whilst having food available at the site should they want it. Getting to these feeders proved problematic at first, taking some birds a whole day, but once they discovered how use their wings and tail as a brake things became a lot easier.

The release is well underway with 9 macaws free and the birds have shown a difference in their behaviour to the Scarlet macaws as they fly and fly once free. This has proven difficult for us in order to manage the release

and monitor which birds are where and what they are doing but still the results are very encouraging. The macaws have been eating wild food within a few days of release and whilst not staying close to the site they are proving to be a hit with the local population, people are amazed by their size and raucous call and delighted to have macaws flying in their midst once again.

The project plans to release up to 50 greens in the area over the next few years with the aim of creating a self-sustaining wild population living independently of humans. Long term it is hoped the macaws will disperse naturally, expanding their range, start breeding and eventually meet up with the groups of surviving wild macaws. This will require several more years of

hard work with lots of highs and lows and if you know someone who can help support us in our mission to repopulate Costa Rica with macaws please get in touch, the project relies entirely on the kind donations given to us. www.thearaproject.org

Jenny Pettigrew
Assistant Breeding Centre
Manager/Veterinary Technician/
Volunteer Coordinator
The ARA Project



New Ecosystem Found in Costa Rica

Scientists from the Scripps Research Institute have found a site in the deep sea off of Costa Rica that fosters an unusual habitat for new creatures. The mix of cold water, methane gas and hydrothermal vents has been named a "hydrothermal seep".

Among the new life forms was a mass of 14,000 3 ft long tubeworms (how they knew there were 14,000 and not 14,001 is a mystery to me). It was described as basically an enormous ball of worms (great fun to imagine). These worm balls acted as "foundation species" for other organisms including mussels. The scientists tallied 23 new species of mollusks.



Forest Cover Grows in Costa Rica

According to a joint study by the National Forestry Financing Fund and the University of Alberta 52.3% of Costa Rica is covered by forests. Despite logging, fires and development the country's forest area grew by 1% since 2005.

Costa Rica Ranks 5th in the New Global Environmental Performance Index

According to Yale University's Global Environment Performance Index (EPI) Costa Rica is one of the 5 strongest performers when it comes to protecting the environment. The EPI ranks countries on performance indicators tracked across policy categories that cover both environmental public health and ecosystem vitality. These indicators provide a gauge at a national government scale of how close countries are to established environmental policy goals.

The report evaluates both environmental health and ecosystem vitality. Further categories include: air and water quality, biodiversity and habitat, agriculture, forests, fisheries and climate change.

Costa Rica was particularly strong regarding forest cover and growing stock. The country fell short in the area of fisheries with dwindling fish stock a major concern. The top 5 performers are Switzerland, Latvia, Norway, Luxembourg and Costa Rica. The U.S. was categorized as a modest performer ranking #49.

You can find more information here: <http://epi.yale.edu/>



Standard & Poor's affirms Costa Rica's 'BB/B' Foreign Currency Rating

Standard & Poor's Rating Services recently affirmed its 'BB' long term and 'B' short term foreign currency credit ratings for Costa Rica assessing the outlook as stable. The organization justified the ratings by evaluating the country's political stability, strong public institutions, rule of law, and general consensus on pro-growth market-oriented policies. They stated that a high level of human development and social stability also support the rating.

Costa Rica's has a niche in skill-based export services which help sustain solid long-term growth prospects, with real GDP growth per

capita expected to average 2.2% between 2012 and 2014. Large and ongoing foreign investments also help support stability.

S&P stated that their analysts expect that the government will keep fiscal accounts in check even though it's expected that the country's moderate debt will likely rise in the short term.

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Paradise Post Costa Rica Tourism Expanding

2011 brought \$288 million in revenue from tourist seeking medical services which can be up to 70% less expensive than in the U.S. The Costa Rican Tourism Institute (ICT) has decided that ecotourism is not sufficient enough to continue to increase foreign visitors to the country and has planned to increase efforts to promote Costa Rica as an attractive destination for medical tourism and international conventions. The institute will be promoting medical tourism in 7 international exhibitions this year and the Latin American Medical Tourism Congress will be held this year in San Jose.

Sought-after surgeries in Costa Rica include dental (36 percent), plastic and cosmetic (12 percent), orthopedic/cardiovascular (22 percent) and general medicine (14 percent). Due to the popularity of these surgeries, the country hopes to welcome over 100,000 medical-purpose travelers in 2014, more than doubling revenue to \$800 million.

The ICT has also presented preliminary designs for a new convention center to the government. The plans show that the center will have meeting space and an exhibition hall that is 3 times more vast than the space at the Ramada Plaza Herradura which is currently the largest. The center will be located in Heredia and minutes from San José international airport. It's scheduled to open late 2014. The institute estimates that the center will generate an additional 175,000 hotel stays per year.

Top 5 Companies in Costa Rica

The Global Consulting Institute, after detailed analysis and evaluation, ranked the best places to work in Costa Rica. First places is SC Johnson followed by Kimberly Clark, FedEx, Scotiabank and Amba Research.

www.PacificLots.com

Big changes lie ahead for Americans, changes of Orwellian magnitude. Big brother IS watching you. Recent changes in our tax laws are having big impacts worldwide. The US is one of the only countries in the world that taxes worldwide income, even for those who live outside the US. But under the recent FATCA rules (Foreign Account Tax Compliance Act) now the mere lack of knowledge of this new law can lead to seizure of your property, huge fines, cancellation or seizure of your passport and even jail time if you own unreported foreign assets.. This is not just for those living outside the US. Anyone owning assets with a value of \$50,000 or more in a foreign country, foreign bank accounts totaling over \$10,000 or even a retirement fund such as foreign passive investment funds now requires important reporting or subjects the holder to severe penalties and interest and even seizure even when no tax is due. New foreign asset reporting rules have led to a number of international

banks forcing the closure of accounts owned by American citizens rather than being forced to comply with US tax regulations in a foreign country by an American Tax Code. The US government has found a way to use the IRS to collect data worldwide from all foreign financial institutions that have any American participants. Any foreign financial institution that does not disclose 100% of all assets owned by any American citizen will be subject to a 30% withholding on every transaction from the US. Penalties for not reporting foreign assets under the new IRS code 6038D start at \$10,000 and can include a 40% penalty as well. Ouch... This has also led to a large increase in the number of US citizens rescinding their US citizenship.

The first quarter of this year has been really busy for me. I did shows in both Cancun and Panama and Saskatoon, Canada. We've got a busy show season and our 4 day discovery tours are staying busy. I encourage you to take the time



to visit us if you have interest in living in or owning property in a foreign country. You'll have a great time and get a good education about how easy it is in some places and how hard it can be in others. Summer is a great in Costa Rica so sign up for one of our tours here:

<http://www.pacificlots.com/online-client-visit-application>

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Stephen Linder

Tax Season is Over But Tax Avoidance is Never Over

I've always found U.S. taxes to be confusing and constantly changing. Just as I figure out one aspect of my tax responsibilities, another one emerges. When you are living or investing overseas, not knowing the right thing to do can be downright dangerous. Many IRS penalties start at \$10,000!

Because of these high penalties, I wanted to find someone I could trust to watch out for me and keep me safe with my taxes and investments overseas. While we can always go cheaper in life, I think this is an area where I wanted to be looking at value instead of cost. I wanted someone to protect me.

I met Nick Hodges as the tax speaker for International Living conferences. Nick has a very unique service, one that bundles tax advice with my entire financial picture. Not only does he prepare income taxes and keep me protected from the IRS, he also has helped me fully understand my retirement options and where I might make smarter choices with my money. Additionally, he has also given me a secure, online vault that keeps all my important documents in one place and updates the values in my various investment accounts each night.

I've negotiated a special rate with Nick to take care of my clients and friends. Mention this article and you will receive \$500 off your first year's services with Nick. I know that once you get to know him, you'll understand just how much he can help you, too.

Nick's annual fee is usually \$1,250, but for those of you that receive my newsletter, you can sign up for just \$750 for your first year. Here's what you will receive:

- Preparation of your U.S. and State individual tax return
- Review of your last two years' tax returns for possible tax savings
- Review and guidance on your retirement planning
- Secure, online account and vault access
- Free consultations throughout the year

Nick's website www.ExpatCFO.com for American Expats includes a blog with some great articles I think you'll enjoy. My favorite is: *How U.S. Expatriates Can*

Avoid the 13 Most Common Expat Tax Traps. <http://www.expatscfo.com/How-US-Expatriates-Can-Avoid-the-13-Most-Common-Expat-Tax-Traps/47.html>

Nick Hodges, CPA/PFS, MBA, CFP® has a specialty niche tax and financial planning practice working with Americans who hold an international perspective. For nearly thirty years, he has helped his clients handle their tax and financial affairs Stateside and abroad, mitigating taxes and maximizing opportunity. He can be reached at 866-729-6425 or at nhodges@moneyconcepts.com

Investor Corner

Here are a couple great deals available right now.

*4 acre lot in phase 2 with river view, 2 wheel drive access - \$85k financed or \$80k cash

*Phenomenal 3.7 acre 10/10 Ocean/Mountain Views in phase 10 - \$330k financed or \$300k cash

www.PacificLots.com