

Puerto Rico's Incentives Code Act No. 60-2019

Office of Incentives for Businesses in Puerto Rico

DEPARTMENT OF ECONOMIC
DEVELOPMENT AND COMMERCE

DEDC



Incentives Code

July 1, 2019

Act No. 60-2019, also known as the Puerto Rico's Incentive Code, was enacted in order to promote the Island economic development, based on fiscal responsibility, transparency and efficiency in the way of doing business

- Creates the Office of Incentives for Businesses in Puerto Rico ("OIN"), to administer, evaluate, process, and oversee applications for incentives, decrees granted, amendment requests, and other matters related to the approval of incentives under the Incentives Code
- Encompasses the equivalent of more than 40 incentives acts that were previously administered by several government agencies
- Establish an easy and efficient process to request incentives
 - Incentives Applications must be available online: incentives.ddec.pr.gov

All the changes established in the new Incentives Code are prospective. Do not affect the enterprises or individuals with decrees, credits or incentives approved under preceding Acts.

Incentives Code –Sectors

PUERTO RICO INCENTIVES CODE ACT 60-2019



INDIVIDUALS



EXPORT



FINANCE &
INSURANCE SERVICES



VISITORS
ECONOMY



MANUFACTURING



INFRASTRUCTURE &
GREEN ENERGY



AGRICULTURE



CREATIVES
INDUSTRIES



ENTREPRENEURSHIP



OPPORTUNITY
ZONES



OTHER
INCENTIVES

AGILE • SIMPLE • TRANSPARENT



Young Entrepreneur

❖ Eligibility and Requirements:

- ❑ Resident Individual of Puerto Rico;
- ❑ Between the ages of sixteen (16) and thirty-five (35) and
- ❑ Who has obtained his high school diploma or a certification equivalent to a high school diploma from the Department of Education of Puerto Rico, or who is still enrolled in school and furnishes proof of said enrollment leading to a high school diploma or certificate
- ❑ New Business must commence operations on or after the Application filing date
 - ❑ No business operated through Affiliates or resulting from a reorganization, as defined in Puerto Rico Internal Revenue Code, shall be considered a new business
- ❑ Business must be operated, exclusively, by the Young Entrepreneur.
- ❑ Benefits shall be limited to only one new business per each Young Entrepreneur.

Type of Tax	Benefits
Income	❖ 100% tax exemption on first \$500,000 Net Income
Personal Property	❖ 100% tax exemption
Municipal Volume of Business Tax Exemption	❖ 100% tax exemption

Decree is valid for 3 years

Export of Services/Goods

OBJECTIVES

- i. Encourage local service providers to expand their business outside of Puerto Rico
- ii. Encourage foreign service providers to relocate their businesses in Puerto Rico
- iii. Export services to Latin America and the United States
- iv. Diversify our economy and create more specialized jobs

Export: Requirements

- Applicant must be an individual or an entity with a bona fide office or establishment located in Puerto Rico, that performs or will perform eligible services. An existing entity can apply;
- Eligible services must be provided for the benefit of a client located outside of Puerto Rico;
- Eligible Service cannot have Nexus with Puerto Rico.



Activities shall be rendered to..

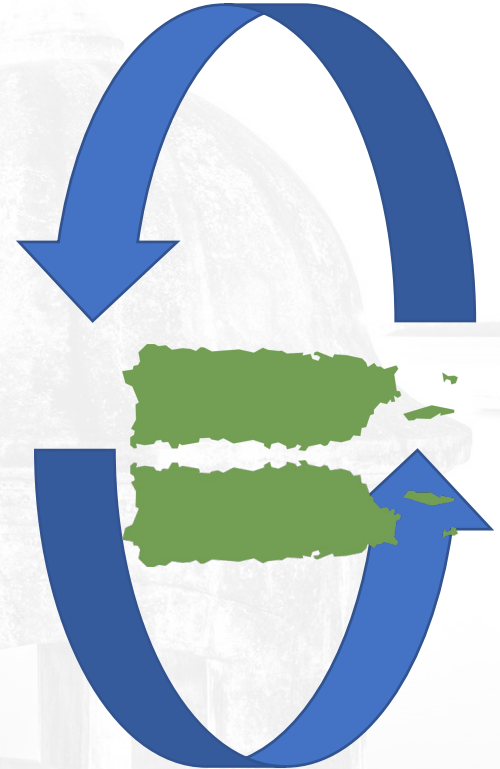


- i. Natural persons that are not Residents of Puerto Rico
- ii. Entities that do not have an office or fixed place of business, including home office, in Puerto Rico, or do not have any trade or business connection with Puerto Rico, at the time the services are rendered; or
- iii. A trust whose grantor(s), trustee(s), and beneficiary(ies) are all neither Resident(s) of Puerto Rico nor Entities formed under the Laws of Puerto Rico
- iv. An estate in which the heir(s), legatee(s) and executor(s) are all neither Resident(s) of Puerto Rico
- v. A governmental unit of any national, state, or local government other than the Government of Puerto Rico
- vi. An Entity or a Natural Person doing business in Puerto Rico (“Grantee’s Local Client”), provided that the services provided to Grantee’s Local Client: (a) have no nexus with Puerto Rico; (b) are destined to Grantee’s Local Client’s client and (iii) Grantee’s Local Client’s client meets the requirements of paragraphs (i), (ii), (iii), (iv) or (v) above



Nexus

- An eligible activity has Nexus to Puerto Rico when is it rendered to:
 - A resident of Puerto Rico or related to operations in Puerto Rico, including:
 - Trade or business in Puerto Rico from a facility located in Puerto Rico
 - Sale of property to be used or consumed, ultimately, in Puerto Rico
 - Advice on laws and regulations of Puerto Rico
 - Lobbying about laws of Puerto Rico or its regulations
 - Services provided to the Government of Puerto Rico
 - Any other activity designated by the Secretary of the Department of Economic Development and Commerce of Puerto Rico



Eligible Activities

Export Services:

- R&D
- Advertising & public relations**
- Consulting services**
- Advice services on matters related to any trade or business
- Creative industries** (Art, Music, Design, Fashion, etc.)
- Centralized managerial services**
- Productions of blueprints, engineering & architectural services & project management

Professional Services

- Development of licensable computer software
- Distribution of programs in physical form, network, cloud computing or blockchain and income derived from subscriptions, licensing, or fees
- Call centers
- Shared services centers
- Telecommunications & data between persons located outside Puerto Rico

- Educational & training services

- Hospital & laboratory services, including telemedicine facilities & medical tourism services

- Investment banking & other financial services

Export Trade (80% Requirement):

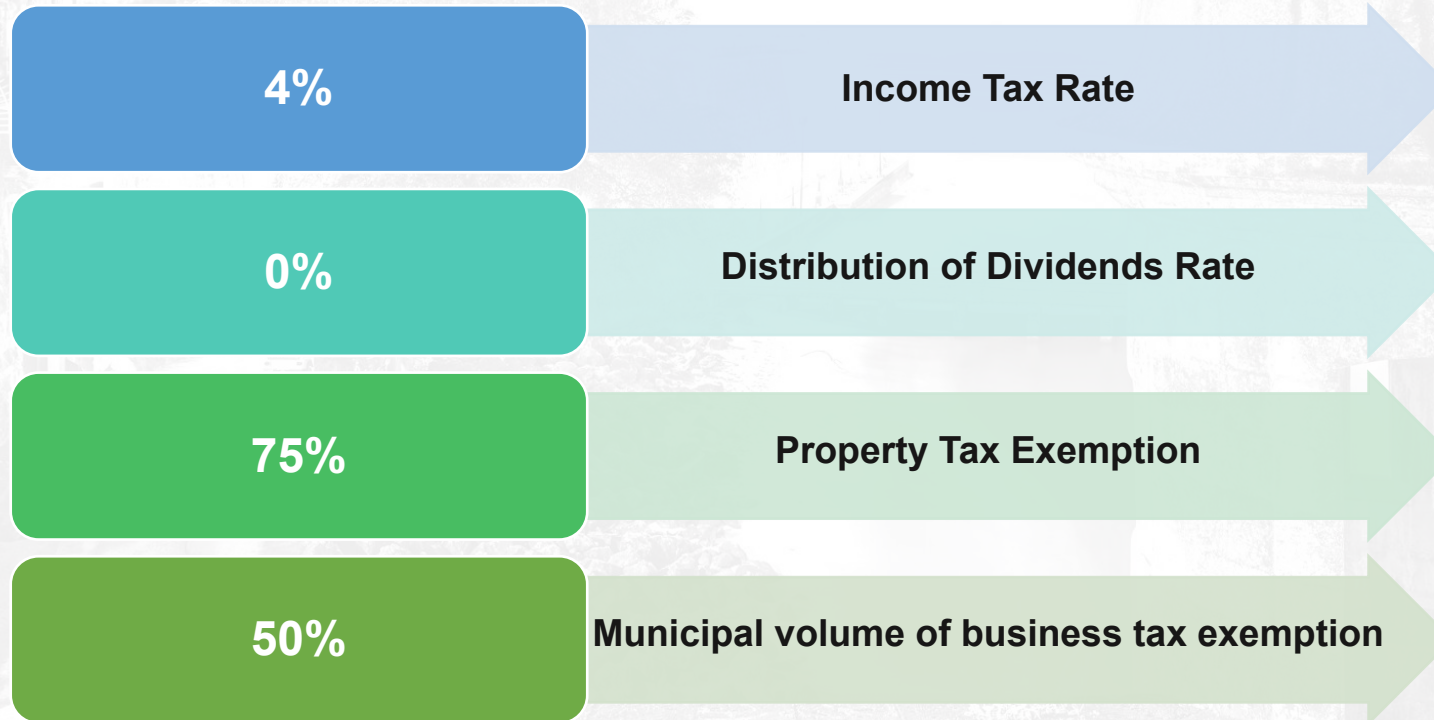
- Trading companies
- Sale of products manufactured or harvested upon request
- Sale or distribution of intangible products
- Storage, transportation, and distribution hubs for products belonging to third parties;
- Commercial distribution of products manufactured or harvested in Puerto Rico
- Assembly, bottling, and packaging operations of products for export

- Any Other Export Service deemed eligible**



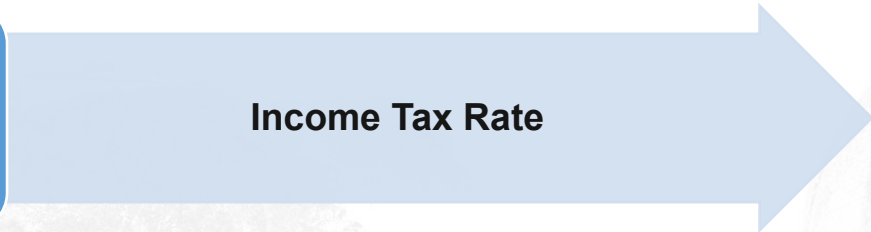
Incentives Code – Export

- **Decree:** constitutes a contract between the Grantee and the Government of Puerto Rico
- **Tax Exemption Period:** 15 years, extendable to 15 additional years
1 year to start operations once the Decree is approved



New PYME and Vieques/Culebra

2%
First 5 years of Decree



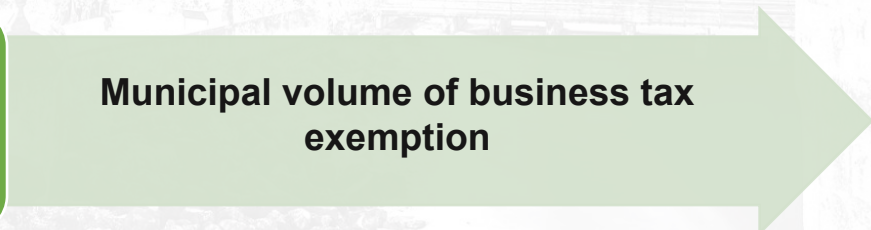
Income Tax Rate

100%
First 5 years of Decree

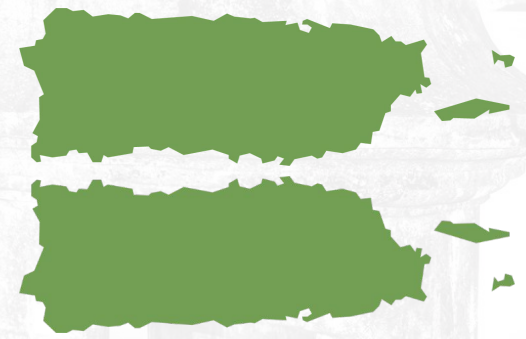


Property Tax Exemption

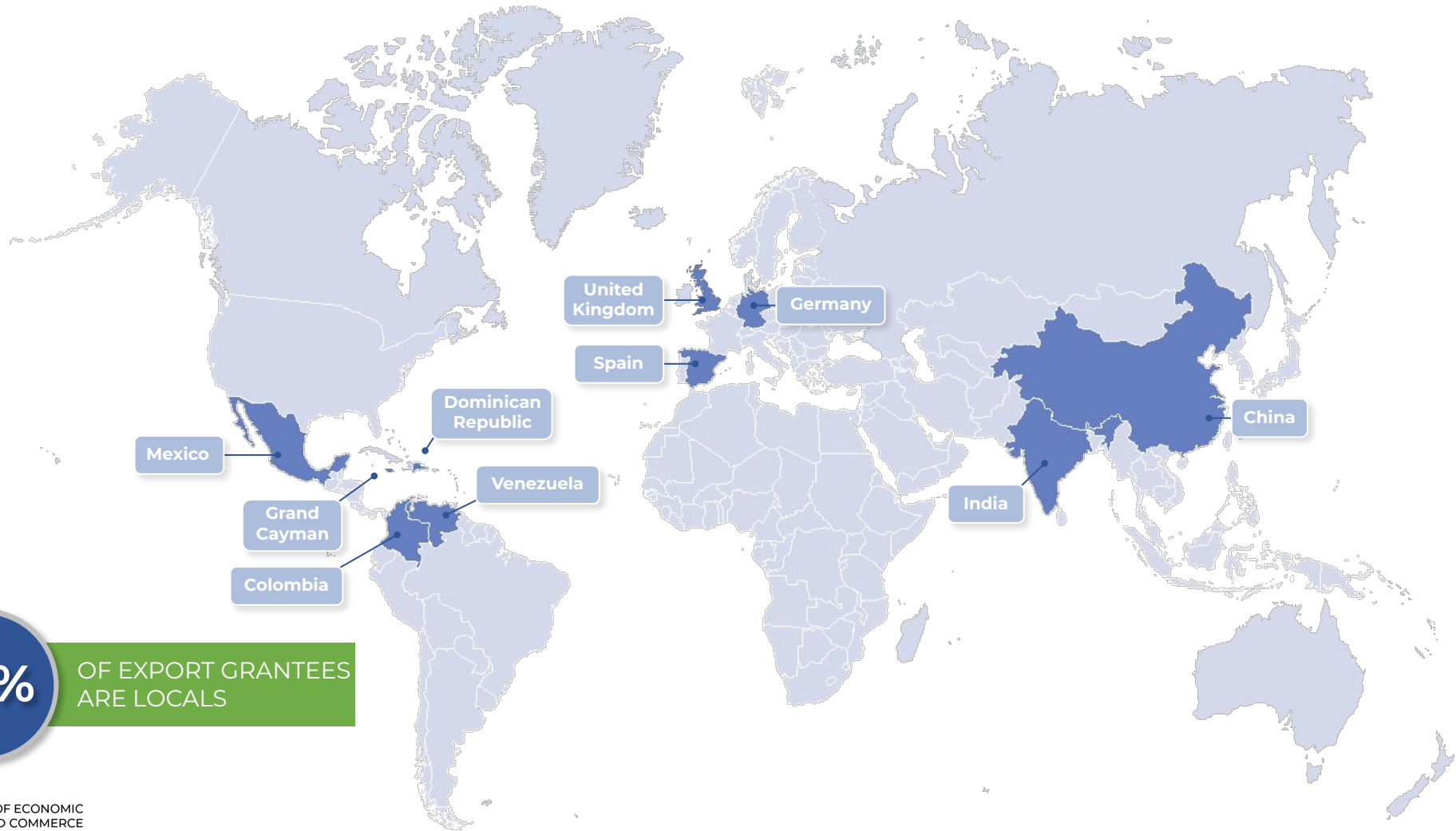
100%
First 5 years of Decree



Municipal volume of business tax exemption



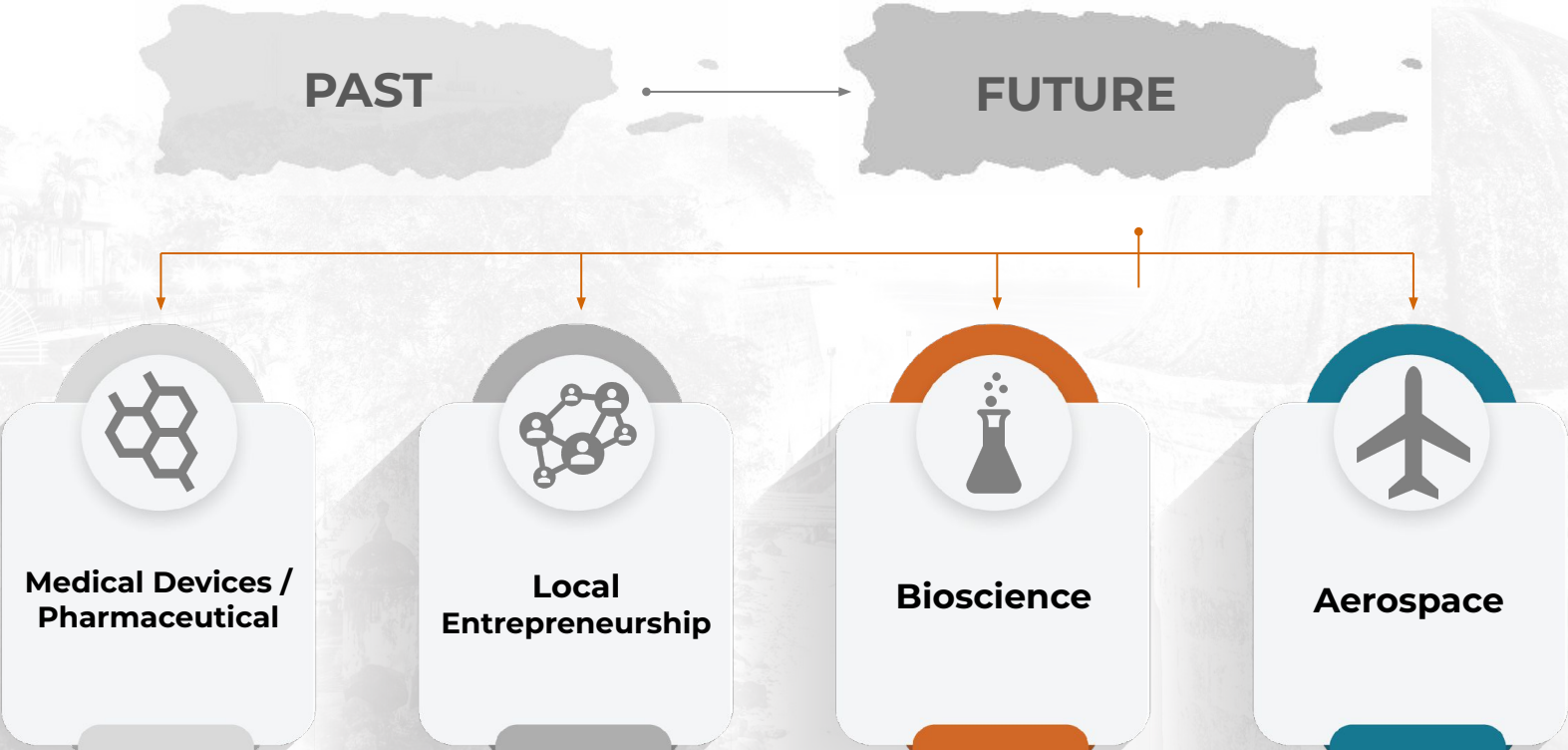
**85% OF GRANTEES EXPORT SERVICES TO THE USA
AND THE REMAINING 15% TO OTHER COUNTRIES**



35% OF EXPORT GRANTEES
ARE LOCALS



Manufacture: Objectives



Manufacture: Requirements

- Applicant must be an individual or an entity with a bona fide office or establishment located in Puerto Rico
 - Foreign or Domestic Entity
- Applicant must perform or will perform eligible activities
 - On a commercial scale
- An existing entity can apply



Incentives Code

Manufacturing



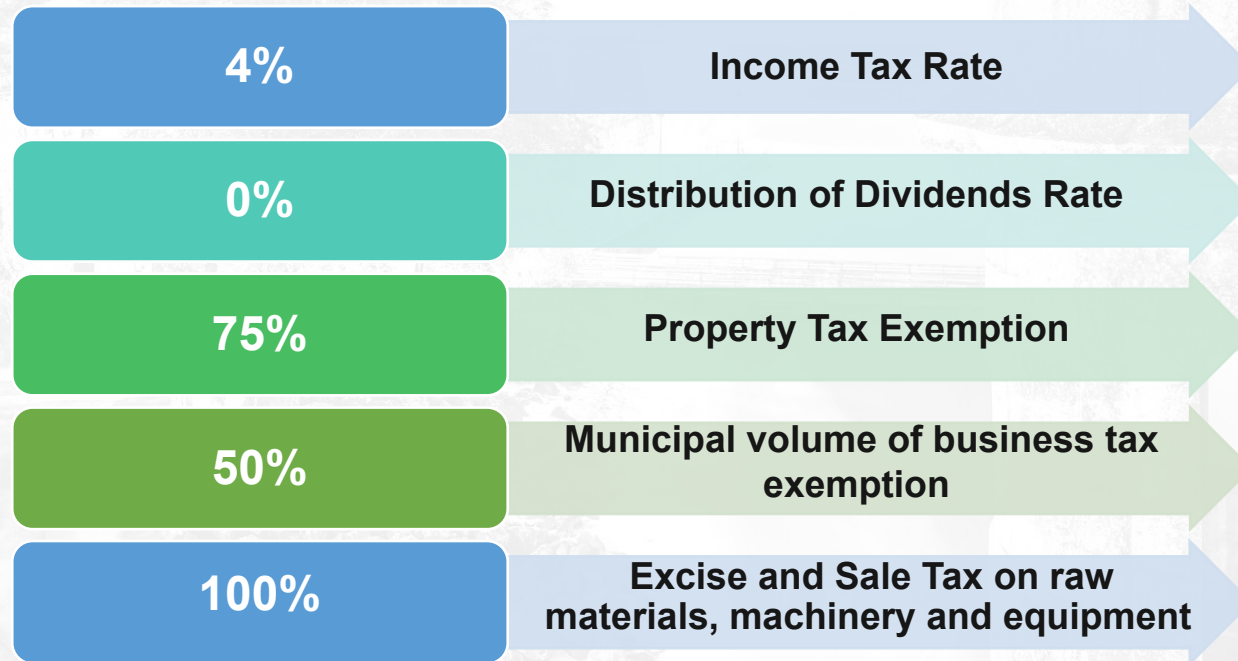
ELIGIBLE BUSINESSES

- Industrial Unit established permanently for the **commercial scale production of manufactured products**.
- Key **Supplier Services** (Specialized storage; Logistics regarding the distribution and export of Manufactured Products; Quality control and process, equipment, and systems validation services; Sterilization of instruments, equipment, and clean room garments; calibration and maintenance of equipment; the design of systems and processes that improve the quality and productivity of exempt operations)
- Property dedicated to **Industrial Development**
- Animal breeding for experiments in **scientific research and medical laboratories**
- **Research Enterprises and Industrial or Scientific Development** of new products, services or industrial processes.
- **Partial Recycling** Activities (at least 2: collection, distribution, reconditioning, compaction, shredding, pulverization)
- **Total Recycling** Activities
- **Agricultural Biotechnology** Processes
- Repair, maintenance and conditioning of aircraft and maritime vessels
- **Development of programs and licensed or patented applications.**
 - Distribution: physical, online or through the cloud or as part of a blockchain
- **Video Games Industries**



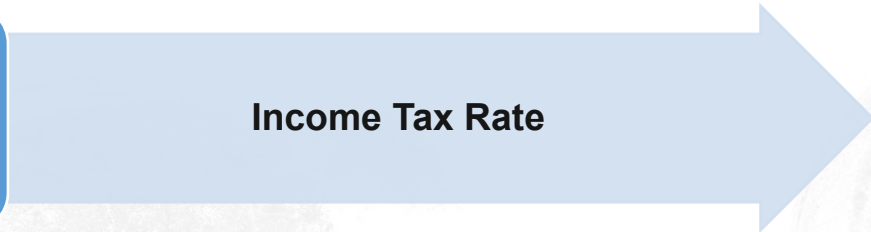
Incentives Code – Manufacture

- **Decree:** constitutes a contract between the Grantee and the Government of Puerto Rico
- **Tax Exemption Period:** 15 years, extendable to 15 additional years
1 year to start operations once the Decree is approved



New PYME and Vieques/Culebra

2%
First 5 years of Decree



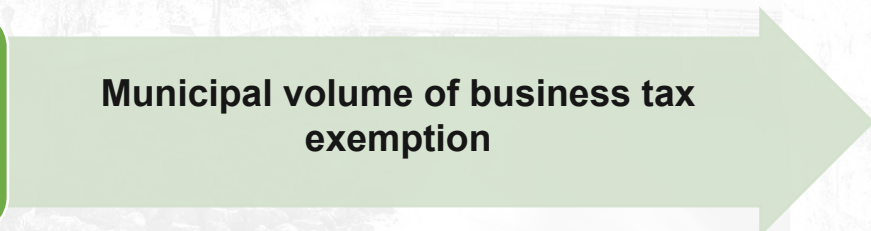
Income Tax Rate

100%
First 5 years of Decree



Property Tax Exemption

100%
First 5 years of Decree



Municipal volume of business tax exemption





About Us

Who's doing business in Puerto Rico?



1 12 out of the top 20 pharmaceutical and biotech companies have manufacturing sites in Puerto Rico

2 12 out of the top 20 medical devices companies have manufacturing sites in Puerto Rico

3 Over 100 tech companies have chosen Puerto Rico as home in the last 5 years

4 Amgen has its largest manufacturing facility located in Juncos, PR. More than 90% of its products are either formulated, finished or packaged at this site

5 More than 50% of Grantees under Act 73/Act 135 are local entities

Agroindustries

❖ Requirements:

- Applicant must be an individual or an entity with a bona fide establishment located in Puerto Rico;
- 51% of Applicant's gross income must be derived from an agricultural business
- Must be a certified Bona Fide Agriculture

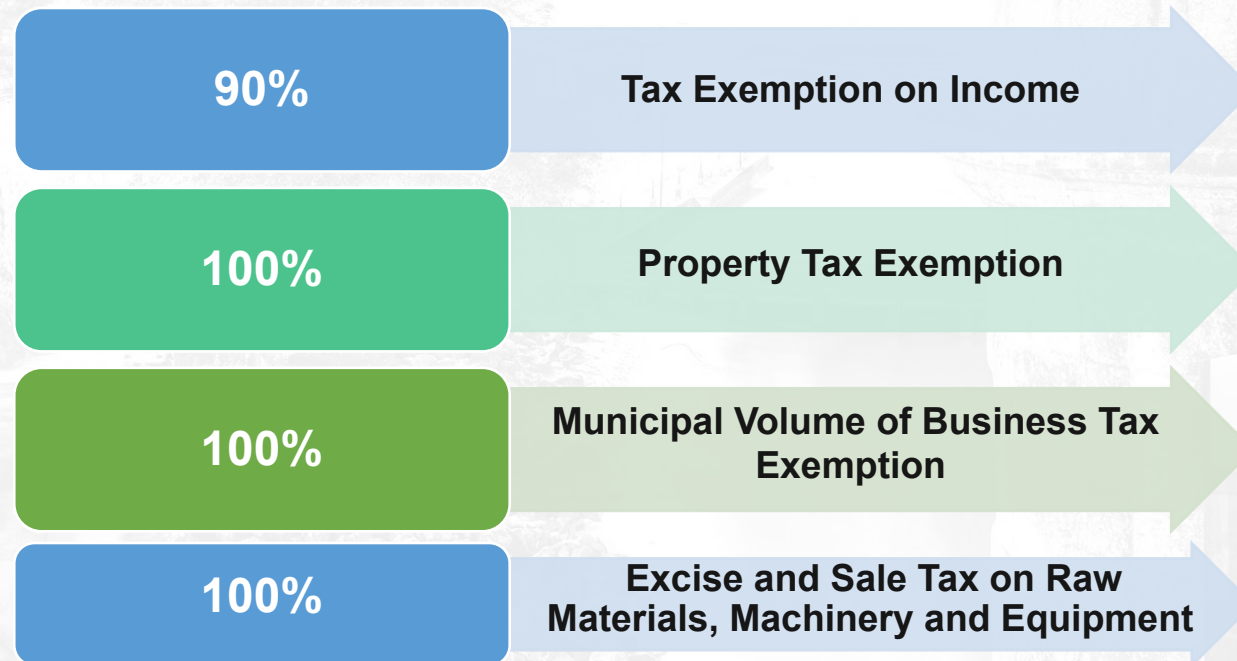
❖ Eligibility Activities:

- Activities of the Puerto Rico Milk Industry, Inc.
- Farming and/or cultivation of land for the production of fruit and vegetables, spices for condiments, seeds, and all kinds of foodstuffs for human beings or animals
- Animal husbandry to produce meat, milk, or eggs, among others, used for human consumption or raw materials for other industries
- The breeding of thoroughbred race horses, breeding of paso fino horses, and breeding of saddle horses
- Mariculture, commercial marine fishing, and aquaculture
- Operations dedicated to the packaging or classification of agricultural products grown in Puerto Rico
- The cultivation of vegetables with hydroponic methods, tents, and other equipment used for such purposes
- Commercial production of ornamental flowers, plants, and grass for the local market and exportation, excluding professional landscape services



Incentives Code – Aagroindustries

- **Decree:** constitutes a contract between the Grantee and the Government of Puerto Rico
- **Tax Exemption Period:** 15 years, extendable to 15 additional years
1 year to start operations once the Decree is approved



Incentives Code

Exempted Business under Act 60 or Preceding Acts



TAX CREDITS

- **Tax credit for buying products manufactured in Puerto Rico**
 - Up to 25% of the purchases made during the taxable year
- **Research and Development Activities Tax Credit**
 - 50% of qualified investment
 - The R&D investment must be incurred by the exempted business for the improvement of procedures, products or services
 - The activities must be experimental
 - Credits can be sold
 - Can be claimed for each year in which the tax incentives decree is effective





Puerto Rico is an island of opportunities where any company can establish, relocate or expand their operations while enjoying the benefits of doing business in a U.S. jurisdiction.

Puerto Rico is Open for Business!

THANK YOU

Carlos Fontán

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www.ddec.pr.gov



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