

Puerto Rico's Incentives Code

Act No. 60-2019, as amended.
Approved: July 1, 2019.

The Incentives Code merges into one act, what was more than 30 incentive acts previously administered by multiple government agencies, now centralized in a single government entity – the Office of Incentives for Businesses in Puerto Rico.

Purposes - Act 60-2019

- Serve as a tool to foster the economic development of the Island.
- Harmonize and unify our tax incentives programs.
- Promote the transparency and oversight of the incentive programs.
- Ease the way of doing business in Puerto Rico.
- Delegate the authority to grant tax exemption decrees at the DEDC.
- Promote Puerto Rico's sustainable development, according to strategic economic sectors and activities, and the creation of jobs.
- Promote innovation and global competitiveness.

SECTORS - INCENTIVES CODE



INDIVIDUALS



EXPORT



FINANCE &
INSURANCE SERVICES



VISITORS
ECONOMY



MANUFACTURING



INFRASTRUCTURE &
GREEN ENERGY



AGRICULTURE



CREATIVES
INDUSTRIES



ENTREPRENEURSHIP



OPPORTUNITY
ZONES



OTHER
INCENTIVES

How and where can you apply?

Tax incentives applications are processed through the Department of Economic Development and Commerce's Incentives Portal. This platform allows petitioners to file applications on a continuous basis, uninterrupted, anywhere in the world, 24/7.



Portal: <https://incentives.ddec.pr.gov/>

Learn more about

Puerto Rico's Incentive Code at ddec.pr.gov,
or send an email to applications@ddec.pr.gov



Physical Address:

Ave. F.D. Roosevelt #355
San Juan, P.R. 00918



Postal Address:

P.O. Box 362350
San Juan, P.R.00936-2350



Phone: 787.764.6363

PUERTO RICO'S INCENTIVES CODE

OFFICE OF INCENTIVES FOR BUSINESSES IN
PUERTO RICO

DEPARTMENT OF ECONOMIC
DEVELOPMENT
AND COMMERCE



DEPARTMENT OF ECONOMIC
DEVELOPMENT
AND COMMERCE



PUERTO RICO'S INCENTIVES CODE INCENTIVES PROGRAMS UNDER ACT NO. 60-2019

▶ INDIVIDUAL RESIDENT INVESTOR

Eligibility:

- Not a bona fide resident of Puerto Rico at any time between January 17, 2006, and January 17, 2012.
- Become a bona fide resident of Puerto Rico.

Benefits:

- 100% tax exemption on income derived from dividends, interest and capital gains.
- Benefits effective until December 31, 2035.

▶ DIFFICULT TO HIRE EMPLOYEE

Eligibility:

- An individual with specialized and indispensable knowledge related to the exempted operations of an Exempt Business in Puerto Rico.
- Become an Exempt Business' employee.

Benefits:

- 100% tax exemption on income in excess of \$100,000, derived from wages and benefits.

▶ RESEARCHERS AND SCIENTISTS

Eligibility:

- Conduct scientific research through a Higher Education Institution (Public or Private Universities) or an entity located at the Sciences District.

Benefits:

- 100% income tax exemption on compensation, up to: (i) \$195,000 in research conducted in a Higher Education Institutions | (ii) \$250,000 in research conducted in a Sciences District's entity.

▶ EXPORT ACTIVITIES

Eligibility:

- Export of services or goods from Puerto Rico to foreign markets.

Benefits:

- 4% income tax rate
- 75% property tax exemption
- 50% municipal tax exemption
- 100% income tax exemption on dividends

▶ INTERNATIONAL FINANCIAL ENTITIES

Eligibility:

- Provides banking or financial services to foreign persons or entities.
- Permit to operate issued by the Office of the Commissioner of Financial Institutions of Puerto Rico (OCIF).

Benefits:

- 4% income tax rate
- 75% property tax exemption
- 50% municipal tax exemption
- Non-Resident Individual: 100% tax exemption on income derived from interest, finance charges, dividends or membership participation.

▶ INTERNATIONAL INSURANCE COMPANIES

Eligibility:

- Business dedicated to assume risk outside of Puerto Rico.
- Permit to operate issued by the Office of the Commissioner of Insurance of Puerto Rico.

Benefits:

- 4% income tax rate on net income in excess of \$1,200,000
- 75% property tax exemption
- 50% municipal tax exemption
- 100% income tax exemption on dividends

▶ PRIVATE EQUITY FUNDS

Eligibility:

- Fund engaged in the business of buying and selling non-public securities.

Benefits:

- Accredited Investors: 10% tax rate on income derived from interest and dividends
- 100% tax exemption on capital gains
- Tax deduction of 30% or 60% of the investment made in the Fund

▶ VISITORS ECONOMY

Eligibility:

- Business dedicated to tourist activities, such as casinos and hotels operations, condo hotels, hostels, guest houses, bed and breakfasts, vacational clubs, golf courses in a hotel, agrotourism, theme parks, nautical tourism, tourist marinas, etc.

Benefits:

- 4% income tax rate
- 75% property tax exemption
- 50% municipal tax exemption
- 100% income tax exemption on dividends
- Tax credit of 30% or 40% on Eligible Investment made in the tourism activity.

▶ MANUFACTURE

Eligibility:

- Business dedicated to the manufacturing of products, scientific research and development activities, recycling, development of programs or applications, licensing of intangible property, maintenance and repairment of airplanes and vessels, etc.

Benefits:

- 4% income tax rate
- 75% property tax exemption
- 50% municipal tax exemption
- 100% tax exemption on raw material, machinery and equipment, and dividends distribution

▶ GREEN ENERGY

Eligibility:

- Business dedicated to the production of green or highly efficient energy for consumption in Puerto Rico.

Benefits:

- 4% income tax rate
- 75% property tax exemption
- 50% municipal tax exemption
- 100% tax exemption on raw material, machinery and equipment, and dividends distribution

▶ INFRASTRUCTURE

Eligibility:

- Construction of social interest homes for elderly citizens or assisted living, and historic zones.

Benefits:

- 4% income tax rate
- 100% property tax exemption
- 90% municipal tax exemption

▶ AGROINDUSTRY

Eligibility:

- Business dedicated to agricultural activities, such as animal husbandry, vegetable cultivation, species, milk processors, mariculture, etc.

Benefits:

- 90% income tax exemption
- 100% property tax exemption
- 90% municipal tax exemption
- 100% tax exemption on raw material, and machinery and equipment

▶ CREATIVE INDUSTRIES

Eligibility:

- Feature films, short films, documentaries, series, mini-series, commercials, music videos, etc.

Benefits:

- 4% income tax rate
- 75% property tax exemption
- 75% municipal tax exemption
- Tax credit up to 40% on production expenses in Puerto Rico; and up to 20% on payments to foreigners

▶ YOUNG ENTREPRENEUR

Eligibility:

- New business created by an individual with less than 36 years of age.

Benefits:

- 100% tax exemption on the first \$500,000 of net income derived from the new business
- 100% exemption on personal property and municipal taxes
- Decree valid for 3 years

▶ AERIAL TRANSPORTATION

Eligibility:

- Business dedicated to public aerial transportation.

Benefits:

- 100% tax exemption on income and property tax

▶ MARITIME TRANSPORTATION

Eligibility:

- Business dedicated to the transportation of cargo between Puerto Rico's and foreign ports.

Benefits:

- 100% exemption on income tax, property tax, municipal tax and on dividends

▶ CRUISE SHIPS

Eligibility:

- Cruise ships that dock in a Puerto Rico's Port.

Benefits:

- Contributions and discounts to passenger fares, based on visits, passenger numbers, time in the port, etc., which will not exceed \$13.25 (fee per passenger).

▶ OPPORTUNITY ZONES

Eligibility:

- Development of real estate for sale or lease, located in a Puerto Rico's Opportunity Zone.

Benefits:

- 18.5% income tax exemption
- 25% property tax exemption
- 25% municipal tax exemption
- 100% exemption on dividends distribution

▶ CASH GRANTS

Eligibility:

- Carry out an eligible activity under Act No. 60-2019, as amended.

Benefits:

- Cash incentives subject to return on investment evaluation, for job creation, infrastructure development, purchase of machinery and equipment, etc.

▶ CREDITS FOR RESEARCH AND DEVELOPMENT

Eligibility:

- Exempt Business carrying out Research and Development activities.

Benefits:

- Up to 50% tax credit on expenses in Research and Development activities performed in Puerto Rico, that contribute to scientific advances and create new processes or products.

▶ NEW PYME* / VIEQUES AND CULEBRA

Benefits during the first 5 years of the decree:

- 2% income tax rate
- Total exemption on property taxes
- Total exemption on municipal taxes

* (i) Business was not in operation as of July 1, 2019 and (ii) Volume of business ≤ \$3,000,000

Note: Decree Exempted Period - 15 years, extendable for 15 additional years.