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PUERTO RICO CONFERENCE

Entrepreneurship for Growth

2010

March 24, 2010 | Conrad San Juan Condado Plaza | 7:30 a.m. - 5:00 p.m.

P u e r t o R i c o C h a m b e r o f C o m m e r c e



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Economic Incentives for the Development of Puerto Rico
(Law No.73 of May 28, 2008)

Manuel Figueroa, Ph.D.

- Key Incentives

- Tax Rates

- General flat tax rate of 4%
 - Pioneering Innovation: 1%
 - Business with lower tax decrees grandfathered.
 - Business owned by local residents receive a flat rate of 3%
 - Small and medium-sized business (<\$10M) receive a flat rate of 1%

- Key Incentives
 - 100% Tax exemption on dividends
 - 4% flat rate on stock sale or exchange

- Key Incentives
 - Additional Tax advantages
 - 90% exemption on real property taxes
 - 60% exemption on Municipal Taxes
 - 100% exemption on Municipal Construction Excise Taxes
 - Sales Tax exemption on machinery and equipment

- Key Incentives
 - Special Deductions under Act No. 73
 - Accelerated deduction for investment in buildings, structures and machinery and equipment

- Key Incentives

- Credits

- For purchase of products manufactured in Puerto Rico
 - 25% of local purchases (35% from recycled materials)
 - Credit capped at 50% of income tax liability
 - Can not be sold
 - Job creation
 - Ranging from \$1,000 to \$5,000 per job created based on geographic zone.
 - Not applicable in highly developed industrial zones
 - Can not be sold

- Key Incentives
 - Research and development
 - 50% of the cash used by the exempted business (or an affiliated) in R&D activities
 - Can be sold
 - Can be used to reduce utilities cost

- Key Incentives

- Investment in machinery and equipment for the generation and efficient use of energy

- 50% of the cash used to purchase machinery and equipment to generate energy with alternate fuels (after 2011 only acquisition of machinery and equipment to generate energy from renewable sources will qualify)
 - Can not be sold

- Key Incentives

- Tax credit for reducing the cost of electric energy

- Base credit of 3% of payments made to PREPA
 - Additional 3.5 % credit based on employment level and another 3.5% depending on payroll
 - Maximum credit limited to 10%
 - Can not be sold
 - Can be used for payment of utilities

- Key Incentives

- Credit for investment in Strategic Projects

- 50% of the cash used from any source in the following activities
 - Development and construction of dams and/or reservoirs and all infrastructure necessary for the operation
 - Cleaning, recovery, conversion, and restoration of landfills that have been closed in Puerto Rico
 - Construction of plants for the production of energy from alternate fuels and renewable sources
 - Construction of mass transportation system

- Key Incentives
 - Credit for investment in Strategic Projects (cont.)
 - Credit could be sold
 - Could be used to compensate utility costs
 - Royalty Tax Rate Election
 - 12% of the royalty payments or
 - 2% if the alternative tax rate is elected
 - Can not be sold

Economic Incentives for the Development of Puerto Rico (Law No.73 of May 28, 2008)

The most competitive investment law in the world



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