

Panel: Dispelling the Puerto Rico Fiscal Plan and Laws 20/22 Social and Economic Impact

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Department of Economic Development and Commerce



Our Economy

Gross Domestic Product Share by Main Economic Sectors FISCAL YEAR 2017



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GPN $70.1 billion
GDP $105.0 billion
GDP PER CAPITA $30,516
EXPORTS VALUE $71.9 billion
IMPORTS VALUE $43.3 billion
TOURISM: Approximately 7% of GDP
MANUFACTURING SECTOR GDP
44.6% Bio-Pharma/Life Science
20.2% Computer and Electronics
19.8% Basic Chemicals
5.4% Medical Devices
3.1% Beverages & Tobacco
2.4% Food
1.4% Electrical Equipment & Components
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3.1% Others



Economic Development Plan Vision and Public Policy – Governor Rosselló

PUERTO RICO



Open for Business



Connector of the Americas



Innovation Hub



Leader of the Human Cloud



Economic Development

GDP Growth & Productivity



Factors such as **labor**, **capital** and **technology**, among others, will affect the available resources.



We are committed to

continue improving our business climate in order to be an optimal and competitive investment destination



The current circumstances create momentum for implementing a comprehensive structural reforms package to attract private capital investment and achieve strong, sustainable and balanced economic growth



Attractive Tax Incentives

ACT 20: Tax Incentives to Promote Export Services in Puerto Rico

TAX BENEFITS

- \checkmark 4% maximum corporate tax rate
- Dividends and distributions from earnings and profits are tax exempt
- ✓ Certain investment income also qualifies for 4% tax rate
- \checkmark 60% exemption on municipal gross receipts tax
- ✓ 90% exemption on property taxes for certain types of businesses
- \checkmark No job creation requirement
- ✓ 20-Year Tax Decree with the Government of Puerto Rico (extendable for 10 years)

REQUIREMENTS

- ✓ Bona-fide entity established in Puerto Rico
- \checkmark Provide an eligible service
- ✓ With no nexus to Puerto Rico
- ✓ No job creation requirement



Eligible Activities



- ✓ R&D
- ✓ Advertising & public relations
- ✓ Consulting services
- Advice services on matters related to any trade or business
- ✓ Creative industries
- ✓ Centralized managerial services
- Productions of blueprints, engineering & architectural services & project management

- ✓ Electronic data processing center
- ✓ Development of licensable computer software
- ✓ Call centers
- ✓ Shared services centers
- Telecommunications & data between persons located outside Puerto Rico
- Storage & distribution centers (hubs)
- ✓ Educational & training services

- Hospital & Laboratories services, including telemedicine facilities & medical tourism services
- Investment banking & other financial services
- Commercial & mercantile distribution of products manufactured in P.R. for jurisdiction outside P.R.
- Assembly, bottling and packaging operations of products for export



✓ Trading companies

 Any other services designated by Secretary of DEDC

Department of Economic Development and Commerce

GOVERNMENT OF PUERTO RICO

Attractive Tax Incentives

ACT 22: Individual Investors

ACT 22: Individual Investors Act

TAX BENEFITS

Passive Income Exemption

New residents will enjoy a 100% tax exemption from Puerto Rico income taxes on all dividend and interest income.

Capital Gain Exemptions

 All capital gains accrued after becoming a new resident will be 100% exempt from Puerto Rico taxes. These gains will not be subject to federal taxes.

REQUIREMENTS

- Available to new residents who have not lived in Puerto Rico over the 6 years preceding the effective date of Act 22 (January 16th, 2006 to January 16th, 2012).
- Become a bona fide resident of Puerto Rico

- Expedite process on Act 22 (for new cases) average <u>30 days</u>
- Tax exemptions under Act 22 are valid through December 31, 2035.



Decrees (Act 20 & 22)

| 2016 Fiscal Year | Decree | 2018 Fiscal Year |
|------------------|--|------------------|
| 249 | Act 20 of 2012 (Export Services) | 610 |
| 341 | Act 22 of 2012 (Individual Investors) | 700 |



New Incentives Code

New Incentives Code seeks to revamp the way in which all economic incentives are reviewed, approved and managed.

- The Incentive Code seeks to encourage activities that produce a positive **RETURN OF INVESTMENT** (ROI).
- Establish an easy and efficient process to request incentives.
- Strengthen compliance and control of incentives.
- 100% fiscal transparency, accountability and fiscal risk for all the economic incentives.

SUBSECTION AND CATEGORIES OF NEW CODE



PROPOSED NEW INCENTIVES CODE

- New code proposes to add all incentive laws and programs under one law.
- The new code will be divided into sections with different characteristics and prerequisites for each to attend different sectors and strategic economic activity.
- Will follow the proposed economic principles to promote innovation, competitiveness and activities that increase the value of Puerto Rico.





Unprecedented Investment Opportunities:

P3's, OZ, Local Incentives and DR Funds

Energy



Information Technology



Manufacturing/Industrial



Life Sciences



Aerospace & Engineering



Telecommunications

Food and Beverages

Real Estate

🕅 Hospitality and Tourism

Sharing Economy



Health and Wellness



Medicinal Cannabis



Industrial Hemp



And more...



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THANK YOU!



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