

# ACT20

## THE PROMOTION OF EXPORT SERVICES ACT

New corporate tax incentives have propelled Puerto Rico to consideration alongside other havens like Singapore, Panama and some Caribbean islands. Instituted to elevate trade and boost tax revenue, Act 20 incentivizes businesses to provide export goods and services from the island. Its close ties with the US create a one-of-a-kind business environment in Puerto Rico.

### INCENTIVES

The Act 20 incentives aim to attract new commerce to the island and to encourage local business expansion into foreign markets. Over the past 4 years, Act 20 has been an important piece of economic policy and has consistently had bipartisan support. Qualified eligible export services have the following incentives:

- // 4% Flat Corporate Tax
- // 100% Profit & Distribution Exemption
- // 90% Property Tax Exemption
- // 60%-90% Municipal Tax Exemption

**While US territories are typically subject to US laws, Puerto Rico's commonwealth status gives it a unique independence. Puerto Rico has the authority to govern autonomously and is treated as a foreign entity for tax purposes but has no repatriation consequences.**

### ELIGIBLE EXPORT SERVICES

The Legislative Assembly has explicitly listed 20+ industries which can qualify for Act 20 treatment. In addition to the following list, any other service could be acceptable depending on various economic factors (job creation, investment level, payroll, revenue) and is at the discretion of the Secretary of Economic Development & Commerce (DEDC) and the Secretary of the Treasury.

- |              |              |                      |
|--------------|--------------|----------------------|
| Accounting   | Construction | IT                   |
| Advertising  | Consulting   | Legal                |
| Advisory     | Trading      | R&D                  |
| Architecture | Engineering  | Software Development |
| Banking      | Insurance    | Telecom              |
|              | +More        |                      |



### BY THE NUMBERS

**2012**

Act 20/22 enacted  
by Puerto Rican  
Legislative Assembly

**800**

Current Act 20  
Businesses

**20**

Length of Tax  
Exemption Decree -  
Years

**\$1.3B**

2015 Revenue  
Earned by Act 20  
Businesses

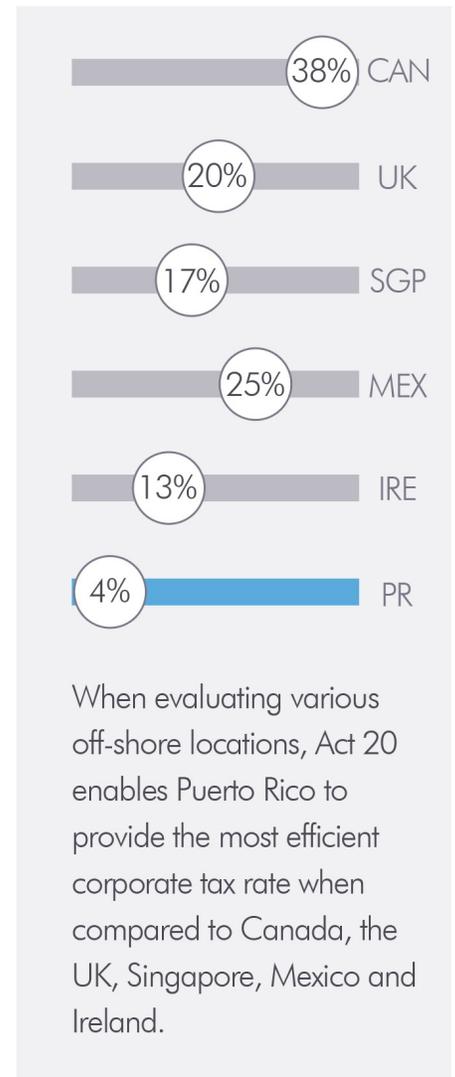
**29%**

Annual Act 20  
Growth Rate

## QUALIFICATION

In addition to qualifying as an eligible export service, Puerto Rico has straightforward procedures that must be met for Act 20 compliance.

-  Submit formal application, which includes business plans, financial projections and biographical information on owners. The PR government’s streamlined process has made application turnover faster than ever – a sign of its commitment to this important program.
-  Pay \$750 filing fee to DDEC
-  Obtain various business permits - each municipality has its own process
-  File an annual report with the DEDC within 30 days after filing income tax returns. This date also recognizes tax extensions.
-  Although there are no specific regulations on business structure or domicile location, CASPR recommends registering as a PR LLC or corporation. Registering in PR helps with sourcing and compliance throughout the decree’s duration. Corporation status ensures that income is not traced back to the shareholder’s tax jurisdiction via a flow-through entity. This is especially important if a business owner is not an Act 22 holder.



## ABOUT CASPR

Consulting & Ancillary Services of Puerto Rico, better known as CASPR, provides a comprehensive platform for aspiring Act 20/22/273/399 decree holders. Across our three main focus areas - business consulting, real estate advisory and lifestyle facilitation - CASPR combines technology, in-house expertise and strategic partnerships to help our clients achieve specific objectives. Our intention is to offer a convenient and straightforward solution for businesses and individuals who are seeking to invest in Puerto Rico.