

ACT22

THE INDIVIDUAL INVESTORS ACT

Act 22 addresses individuals and aims to attract new residents to Puerto Rico by offering tax incentives on qualified dividends capital gains and other passive income for decree holders. In a partnership with the US Government, Puerto Rico launched this initiative to boost investment in the island and to stimulate economic growth. Since its inception in 2012, this Act has drawn many newcomers to Puerto Rico who are seeking to reduce their tax burden in the tropical oasis.

INCENTIVES

The incentives under Act 22 were designed to apply to many different types of individuals. Many decree holders are business owners, traders and retirees seeking a sound tax environment operating under US legal jurisdictions.

- 0% tax on Puerto Rico sourced income
- 0% tax on capital gains, dividend and interest income earned as a resident
- No Alternative Minimum Tax
- After 10 years of residency, **Built-In-Gains** are subject to a 5% tax upon sale
 - Assets sold before year 10 will be subject to a 15% tax to Puerto Rico on the gain earned previously as a US resident.

Gains earned on unsold assets before moving to PR

QUALIFICATION

The qualifications listed to the right must be met to obtain an Act 22 decree from the Department of Economic Development and Commerce (DDEC) – PR's legislative body responsible for the regulation of tax incentive programs.

- Meet the Physical Presence Test
 - Establish Puerto Rico as your tax home
 - Spend the majority of time in Puerto Rico
- Meet the No Closer Connection Test
 - Register to vote, obtain a PR driver license, mailing address, bank account and more
- \$5,000 annual donation to a PR charity

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

ACT 22 IN ACTION

Jim 60
Retiree



Jim is a retired attorney who lives off of the income and gains from his investment portfolio. He and his wife became Act 22 residents in 2013. Since the move, the tax efficiency of his portfolio allows Jim to make larger withdrawals while still watching the principal value grow. His unrealized gains from prior to the transition are taxed at 15% in Puerto Rico, while any subsequent gain are tax-exempt. After 10 years, even the unrealized gains from the time when he was US resident will only be taxed at 5% in Puerto Rico.

Nick 32
Trader



An independent trader operating in the commodities market, Nick followed his peers who moved to Puerto Rico to capitalize on the treatment of short-term capital gains under Act 22. Nick's active management strategy means that the majority of his holdings have been owned less than one year. These gains were previously subject to his ordinary income rate of 45%, but now are totally tax-exempt.

Katie 41
Business Owner



Katie is the managing partner of a digital marketing agency. She moves the corporate domicile to Puerto Rico under Act 20, reducing the company's corporate tax rate to 4%. Katie also becomes an Act 22 resident. She pays herself a reasonable salary but receives the majority of her compensation in the form of tax-exempt distributions from her business.

BY THE NUMBERS

1,800

Current Act 22 holders

27%

Annual Percentage Increase

89%

Percentage of Act 22 holders from the US

\$1B+

Direct Investment by Act 22's

55%

Percentage of consultants & financial services professionals - the largest group of Act 22 holders

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.