

PROMOTE EXPORTATION OF SERVICES

A New Framework for the Development of the Export Services Industry

The objective is to provide the appropriate environment and opportunities to make Puerto Rico a center of international services, focused on encouraging service providers to offer their services from Puerto Rico to clients who are located outside of Puerto Rico.

4% Corporate Rate

- Puerto Rican businesses providing services for exportation will enjoy a 4% flat income tax rate on income related to such services.

100% Tax-Exempt Dividends

- Distributions from earnings and profits derived from the export services income of eligible businesses are 100% tax exempt from Puerto Rico taxes.

60% Exemption on Municipal Taxes

- Municipalities in Puerto Rico may levy a gross receipts tax of up to 0.5% (1.5% for financial services).
- Eligible businesses will enjoy a 60% exemption on such municipal taxes.

INCENTIVES FOR EXPORT SERVICES BUSINESS

QUICK FACTS

- 4% Corporate Tax Rate
- 0% Dividend Tax Rate
- 60% Municipal Tax Exemption
- 90% Property Tax Exemption
- Tax Exemption Decrees for up to 30 years

TAX EXEMPTION DECREE

To enjoy the benefits granted under the Export Services Act, the services provider must request and obtain a Tax Decree under the Act, which will be signed by the Secretary of the Department of Economic Development and Commerce of Puerto Rico.

Such Decree will have a term of 20 years, renewable for 10 additional years, provided certain conditions are satisfied. The Tax Decree will constitute a contract with the Puerto Rico Government not subject to subsequent legislative changes.

For more information please contact:

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AMENDMENTS TO ACT NO. 20-2012

Act 20-2012 was amended to incorporate additional Eligible Services to the list of activities that may benefit from the incentives under this Act. Centralized management services will now include strategic and organizational planning of processes, distribution and logistics for persons outside of Puerto Rico.

The following activities were included as Eligible Services under Act 20-2012:

1. Commercial distribution of products manufactured in Puerto Rico for jurisdictions outside of Puerto Rico.
2. Assembly, bottling and packaging operations of products for exportation.
3. Marketing centers engaged principally in providing working space and other related services such as: secretarial services, translation and information processing, communications, marketing services, telemarketing and other consulting services to entities outside Puerto Rico, including export and marketing companies, attached and commercial consulates, governmental agencies responsible for foreign trade, barter and exhibition centers of products and services.
4. Companies engaged in international commercial trading ("trading companies"). Trading companies are defined as any entity that derives no less than eighty percent (80%) of their gross income from:
 - a. The purchase of products manufactured in or outside of Puerto Rico and the resale of these products for use, consumption or disposition outside of Puerto Rico;
 - b. Commissions derived from the sale of products for use, consumption or disposition outside of Puerto Rico.

Act 20-2012 was also amended to streamline the tax grant approval process. Prior to the Amendment, Act 20 listed a series of steps and assigned a maximum number of days to complete such steps.

The total tax grant approval process could take up to 50 work days to finalize. Under the new approval process enacted by the Amendment, the tax grant approval process was cut to a maximum of 35 working days.

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