

PROMOTE RELOCATION OF INDIVIDUAL INVESTORS

A New Framework for Development and Attracting Capital to Puerto Rico

The objective is to attract new residents to Puerto Rico by providing a total exemption from Puerto Rico income taxes on passive income realized or accrued after such individuals become bona fide residents of Puerto Rico.

INCENTIVES UNDER ACT 22

- **100% Tax Exemption on Dividends and Interest**
 - » New Residents will enjoy a 100% tax exemption from Puerto Rico income taxes on all dividend and interest income.
 - » Interest and dividends that qualify as Puerto Rico source income will not be subject to federal income taxation under Section 933 of the U.S. Tax Code.
- **100% Tax Exemption on Short and Long-Term Capital Gains**
 - » 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.
 - » Prior Unrealized Capital Gains: All capital gains accrued and unrealized prior to becoming a New Resident would be subject to capital gain tax.
 - » To qualify for the Act 22 incentives, all gains must be recognized prior to January 1, 2036.

TAX EXEMPTION DECREE

To enjoy the benefits granted under the Individual Investors Act the new resident must apply for and obtain a tax exemption decree under the Act, which will be signed by the Secretary of the Department of Economic Development and Commerce of Puerto Rico.

The Tax Exemption Decree will constitute a contract with the Puerto Rico Government not subject to subsequent legislative changes.

QUICK FACTS

- 0% Puerto Rico tax on dividend and interest income for New Puerto Rico Residents.
- 0% tax on short- and long-term capital gains for New Puerto Rico Residents.
- 0% federal taxes on Puerto Rico source income.

For more information please contact:

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AMENDMENTS TO ACT NO. 22

On December 22, 2014, the Governor of the Commonwealth of Puerto Rico signed into law Act No. 241-2014 (the “Amendment”), which amends Act 22-2012, as amended, also known as the “Act to Promote the Relocation of Individual Investors to Puerto Rico” (the “Act”).

The Amendment introduced several changes that were effective immediately.

- **Non-Puerto Rico Residency Requirement**
 - » The Amendment significantly reduces the non-Puerto Rico residency requirement for potential applicants. Previously, to comply with the definition of Resident Individual Investor, and therefore be eligible to obtain a Tax Exemption Grant (“the Grant”) under the Act, the applicant could not have been a bona fide resident of Puerto Rico during the 15-year period prior to the enactment of Act 20-2012. Under the Amendment, this non-residency period is reduced to 6 years.
- **Annual Reports**
 - » Holders of a tax exemption grant under the Act will now be required to submit an annual report with the Office of Industrial Tax Exemption. Said report, which is due on April 15 of each year and may be extended for an additional 30 days, must include information that reflects the Grantee’s compliance with the conditions and requirements established in the Grant for the taxable year immediately before the filing date of the report and any other information required through Regulations, including the payment of an annual fee.
- **Trusts**
 - » The Amendment provides that Individual Investors with an approved Grant may establish revocable or irrevocable Trusts, and elect to have them treated as a Grantor Trusts for Puerto Rico tax purposes, regardless of whether it qualifies as such under Puerto Rico law. Additionally, Individual Investors may transfer or bestow freely all or some of their assets to the abovementioned trusts, regardless of the kind of property involved, its location and any other legal disposition in Puerto Rico which may result in conflicting or inconsistent treatment to said transfer or bestowment. Lastly, any foreign trust duly created under foreign laws by Individual Investors will be held valid in Puerto Rico and may not be challenged based on Puerto Rico law.
- **Fee**
 - » The Amendment establishes a five thousand dollars (\$5,000.00) fee, due upon the approval of any Grant under Act 22-2012. This fee must be paid in addition to the fee due with the filing of the Grant application.

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