



BAHIA BEACH

RESORT & GOLF CLUB ♦ PUERTO RICO

Investors Information Guide
&
Puerto Rico Tax Incentives

Five Star Five Diamonds Naturally

Discover the possibilities that
Puerto Rico's island can offer



Puerto Rico Overview

Puerto Rico is the easternmost of the Greater Antilles and the fourth largest island in the Caribbean after Cuba, Hispaniola (which comprises the Dominican Republic and Haiti), and Jamaica. The Island is located at the crossroads between North and South America, at just 3.5 hours airtime from New York, 60 minutes from Caracas, and at only 4 days sailing from Atlantic ports in the US and ports in the Gulf of Mexico. The Puerto Rican territory includes other three small islands (Vieques, Culebra and Mona), as well as numerous islets and keys.

Puerto Rico has the best of both worlds. On one hand a spectacular island with over 300 miles of the most beautiful beaches in the Caribbean, coupled with a developed economy, a highly efficient, state-of-the-art infrastructure, finest medical facilities in the Caribbean, the Historic Old San Juan, the oldest settlement within the US dating back to the 16th century and its warm and friendly people that embraces all visitors.

Important Facts about Puerto Rico

CLIMATE

Tropical marine, mild; little seasonal temperature variation

TEMPERATURES

Average of 74 F (23 C) in the winter, 81 F (27 C) in the summer

GEOGRAPHY

Important location along the Mona Passage - a key shipping lane to the Panama Canal; San Juan is one of the biggest and best natural harbors in the Caribbean.

POPULATION

3,725,789 (2010 Census)





LANGUAGES

Spanish, English

COUNTRY NAME

Commonwealth of Puerto Rico

DEPENDENCY STATUS

Unincorporated, organized territory of the US with commonwealth status; policy relations between Puerto Rico and the US conducted under the jurisdiction of the Office of the President.

GOVERNMENT TYPE

Commonwealth

CAPITAL

San Juan

TIME DIFFERENCE:

UTC-4 (1 hour ahead of Washington, DC during Standard Time)

LEGAL SYSTEM

Based on Spanish civil code and within the US Federal system of justice

POSTAL SERVICE

Puerto Rico is part of the US postal system and has the same mail rates and services as provided on the US mainland. Post Offices in every city offer Express Mail next day service to the US mainland and Puerto Rico. In addition, express services are offered by FedEx, UPS, Emery, RPS, and DHL.

CURRENCY

Puerto Rico uses the US dollar. The US dollar is often referred to as the “peso”

Old San Juan

(Spanish: Viejo San Juan) is the oldest settlement within the territory of the United States and it is the historic colonial section of San Juan, Puerto Rico. It is located on a small island connected to the mainland of Puerto Rico by two bridges and a causeway. The city is characterized by its narrow cobblestone streets and colorful buildings, which date back to the 16th and 17th century when Puerto Rico was a Spanish possession.

Several defensive structures and notable forts, such as the emblematic Fort San Felipe del Morro, Fort San Cristóbal, and El Palacio de Santa Catalina, also known as La Fortaleza, acted as the primary defenses of the settlement which was subjected to numerous attacks. La Fortaleza continues to serve also as the executive mansion for the Governor of Puerto Rico.

El Yunque Rainforest

El Yunque National Forest, formerly known as the Caribbean National Forest is located in the rugged Sierra de Luquillo, 40km southeast of San Juan. It gets its name from the indian spirit Yuquiyu, which means “Forest of Clouds”. El Yunque is the rainiest of all the National Forests with up to 240 inches per year. The Forest contains rare wildlife including the Puerto Rican Parrot, which is one of the ten most endangered species of birds in the world. Approximately 50 other bird species are found on the Forest, which serves as a wildlife refuge; no hunting is allowed. So amazing it is indeed, that it was recently selected as a finalist during the “7 Wonders of Nature” competition, from among an outstanding group of 261 nature venues from all around the world. It is also known for having the highest quality waters in Puerto Rico. Because it is a mountainous rainforest, there are plenty of streams, creeks, and rivers crossing it. The steepness of the terrain provides numerous lovely cascades, including the wonderful “La Coca Falls”, the first spectacular feature seen by the visitor traveling up to the Forest.





Customs & Immigration

Puerto Rico has become one of the few exotic destinations Americans may travel to without a passport. As part of the Terrorism Prevention Act of 2004, all Americans traveling by air or by sea to or from Canada, Mexico, Central and South America, Bermuda and Caribbean will be required to have a passport or other secure, accepted document to enter or re-enter the U.S. As part of the United States of America, Puerto Rico is exempted from this new law.

Citizens of other countries have the same requirements as for entering the USA. Potential visitors must first obtain a visa, either a non-immigrant visa for temporary stay or an immigrant visa for permanent residence.

The San Juan International Airport is the leading regional airlift and handles 4,300 cargo flights per month and over 1,800 weekly flights for more than 20 cities in the US and several international destinations in the Caribbean, North America, South America and Europe with two major airports serving the West and East coast. Luis Muñoz Marín International Airport ranked 34th among passenger airports in the U.S.

There are non-stops flights readily available from more than 20 gateway cities in the U.S., with an average flight time of three hours. You can be working in New York in the morning and enjoy an incredible sunset in Bahía in the afternoon. Bahía is a short drive from San Juan, 25 minutes away from the International Airport. No hassles associated with entry or re-entry to the continental U.S.

The Puerto Rico Convention Center is the largest in the Caribbean and the most technologically advanced throughout both the Caribbean and Latin America. Boasting 580,000 square feet of total space, the Center can accommodate groups of up to 10,000, in an ideal setting at the gateway to all the Island has to offer.

Puerto Rico Economy

Puerto Rico has one of the most dynamic economies in the Caribbean region. A diverse industrial sector has far surpassed agriculture as the primary locus of economic activity and income. Encouraged by duty free access to the US and by tax incentives, US firms have invested heavily in Puerto Rico since the 1950s. US minimum wage laws apply. Sugar production has lost out to dairy production and other livestock products as the main source of income in the agricultural sector. Tourism has traditionally been an important source of income.

Tourism

Passenger Movement - Inbound: 4,863,000

Occupancy Rate: 65.5%

Cruiseship Visitors: 1,392,600 (2008 est.) 1.2 million passengers per year.

International Airport

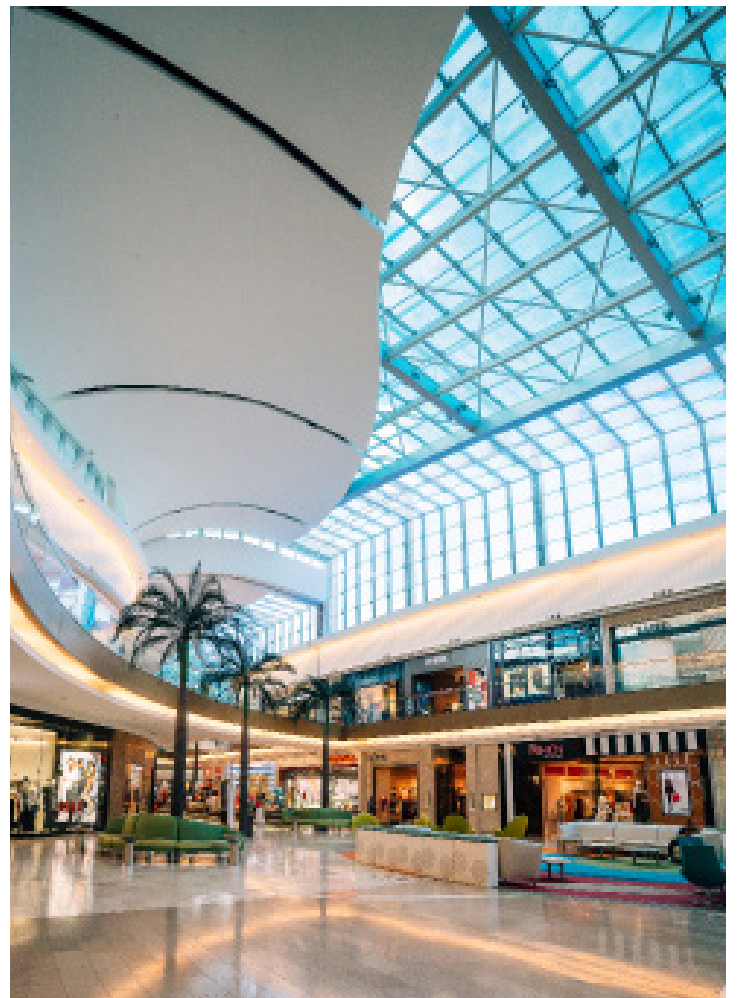
Main airport: Luis Muñoz Marín International Airport Location (SJU): About nine miles from Old San Juan

Airlines that serve Puerto Rico: American Airlines, Air Tran, Southwest, West Jet, Air Canada, Condor, Avianca, Jet Blue, Delta, United, US Airways, Spirit, Sun Country Airlines, LIAT, Cape Air, Seaborne, among others. Principal US destinations: Atlanta, Baltimore, Boston, Charlotte, Cleveland, Chicago O'Hare, Dallas/ FortWorth, Detroit, Fort Lauderdale, Hartford, Houston, Los Angeles, Memphis, Miami, Minneapolis/ St. Paul, Newark, New York-JFK, Orlando, Philadelphia, Tampa, Washington-Dulles. ting 580,000 square feet of total space, the Center can accommodate groups of up to 10,000, in an ideal setting at the gateway to all the Island has to offer.

World Class Culinary Experience

Puerto Rico is the Caribbean's capital of gastronomic tourism. Visitors experience the rich and enticing flavors that this culinary melting pot has to offer. The Island's chefs are exceptionally talented men and women who have gained worldwide recognition by breaking culinary paradigms and pushing beyond traditional boundaries. Impeccable taste and delighting creativity have earned them numerous national and international distinctions, among them the Top Chef Awards, La Grand Medaille d'Honneur, the Chef's Hat Awards, and the National Chef Awards. The presence and strong influence of renowned and prestigious international restaurants such as Jean-Georges, BLT, Morton's of Chicago and Il Molino, have also contributed to the development of a new culinary language, thus making the dining experience another great highlight when visiting the Island.





Culture

Close to 4 million people live on the “Island of Enchantment,” with more than a million in the greater San Juan metropolitan area alone. It is a vibrant, modern, bilingual, multicultural society, one that has been molded by Spanish, African, Indian and U.S. influences. Residents of Puerto Rico have much in common with their fellow Americans in the continental United States, yet they retain a decidedly Hispanic heritage.

Shopping

San Juan is the Island’s shopping Mecca. Plaza las Américas, the Caribbean’s largest and most modern shopping center with over 300 stores, is located here. There are various shopping centers and two big factory outlet malls around the Island. In Puerto Rico there are the same big retail brands than in the U.S.

Entertainment

Puerto Rico has a great variety of entertainment options for all ages and tastes. From breath-taking golf courses around the Island, to enjoyable casinos and exciting nightclubs. There are various discos at Isla Verde and modern chic hotel lobbies at Condado. If you want to hang out with the locals, La Placita, in Santurce, turns into an all-out street fest at night on the weekends. Old San Juan offers exciting entertainment, including restaurants, clubs and shops. Fiestas de la Calle San Sebastian and the San Juan Culinary Week are just a few of the special events held periodically at this historic city.

Real Estate

Amazingly, considering the difficulties many industries have encountered due to the economic situation all around the world, the real estate business in Puerto Rico is stable. More than ever, people are looking for some piece of mind, and it seems that Puerto Rico fits perfectly with the highest standards of living.



Puerto Rico Property & Tax Guide

Puerto Rico is a Commonwealth of the United States. Puerto Ricans get the best of both worlds: gorgeous Caribbean beaches and the benefits of having an American citizenship.

Taxes

Rental Income: Generally, gross rental income of non-residents is taxed at a flat rate of twenty nine percent (29%), withheld by the tenant. However, as previously discussed, until December 31, 2025, under Act 132-2010, lessors may claim a one hundred percent (100%) exemption from the Puerto Rico income tax on the rental income.

Income Tax

A non-resident alien not engaged in a trade or business in Puerto Rico is generally taxed at a flat rate of twenty nine percent (29%) (withheld) on Puerto Rican-sourced profits and income including investment income, rental income (except as discussed herein) and PR source capital gains.

Currency

Puerto Rico uses the US Dollar (USD)

Property Tax

In Puerto Rico real property is subject on an annual real property tax. Real property taxes are computed based on property values that date back to the fiscal year 1957-1958 (which was the last time that a general appraisal was conducted by the Government of Puerto Rico). The assessment is made as of January 1 of each year by the Municipal Revenue Collection Center ("CRIM", for its Spanish acronym) by discounting the current fair market value ("FMV") of the property to the 1957-1958 values. The rates, ranging from 8.03% to 11.83 %, of which vary depending on the municipality where the property is located. For example, the rate in Rio Grande for year 2018-2019 is 10.33%. Pursuant to Act 216-2011 a maximum of five (5) year one hundred percent (100%) real property tax exemption (starting on January 1, 2011 and ending on December 31, 2022) is available for some eligible residential property acquired between July 1, 2013 and December 31, 2020 (see below for further information).

Capital Gains Tax

Earnings of nonresident individuals from the sale of a property are subject to a withholding tax of twenty five percent (25%) (15% in the case of US citizens), which is levied on the gross selling price minus the cost of the property and certain selling costs incurred by the seller. This withholding tax can be credited to the nonresident's final PR income tax liability. The final PR income tax liability is based on the actual capital gain (which includes as a deduction the improvements realized to the property, said improvement costs are not considered for withholding purposes). In the case of US citizens the applicable tax will be fifteen percent (15%) on the actual net capital gain and in the case of other non-residents the applicable tax will be twenty nine percent (29%) on the actual net capital gain, assuming the property has been held for a period in excess of one year.

Notary fees

It is mandatory that a notary prepares the sale and purchase deed. Maximum allowable notary fee is one percent (1%) of the property value for the first US \$500,000 plus 0.5% of the amount in excess of \$500,000.

Registration and Filing Fees

Several fees must be paid to different offices such as the CRIM, Treasury Department and Registry of Property. These fees are minimal and are not expected to exceed 0.75% of property and mortgage value.

Internal Revenue Stamps

Internal Revenue Stamps are purchased to be canceled on the original of deed of purchase and sale and first certified copy of deed to be filed in the Registry of Property. The notary keeps the original while the certified copy is filed at the Registry. Before applying for registration, filing vouchers for the Registry of Property must be bought first. Internal revenue stamps and vouchers are acquired electronically by lawyers/notaries.

Attorney's Fees

Although not mandatory, it is highly advisable for foreign buyers to hire an attorney or lawyer. Attorney's fees may vary depending on location and the complexity of the transaction. Most lawyers charge a percentage of the selling price, about 0.5% to 1%, for the real estate transaction and charge a fixed fee or on an hourly basis for consultations and engagements. Each party pays for their own lawyer.



Puerto Rico Incentive Laws

Puerto Rico already offers significant tax incentives and some tax credits for certain manufacturing industries, hotel and tourism-related operations, agricultural activities, the film industry, international banking operations, green energy projects, and certain hospital facilities.

On July 1, 2019, in search of establishing a new transparent and efficient process for granting and overseeing all the incentives granted by the government, the Governor of Puerto Rico approved Act 60-2019 (hereinafter referred to as the “Incentives Code”), to simplify in a single body of law all the tax incentives that Puerto Rico offers.

Relocation of Individual Investors

The Incentives Code provides an exemption from Puerto Rico income taxes on interest, dividends, and capital gains realized or deemed accrued after such individuals become bona fide residents of Puerto Rico. This relocation should result in new local investments in real estate, services, and consumer products, as well as capital injections to the Puerto Rico banking sector; all of which will accelerate the economy of Puerto Rico.

These tax benefits granted to individual investors who relocate to Puerto Rico under the Incentives Code (hereinafter referred to as “Resident Individual Investors”) will be available until December 31, 2035 (the “Tax Exemption Period”). During this period, interest and dividends received by a Resident Individual Investor will be 100 percent tax exempt from Puerto Rico income taxes. Under I.R.C. §933 interest and dividends from Puerto Rico sources will be exempt from federal taxation. To be considered a Resident Individual Investor and be able to avail from the benefits of a grant, the individual must not have been a resident of Puerto Rico for the 10 years before July 1, 2019, the date in which the Incentives Code was enacted.

Long-term capital gains derived by a “resident individual investor” during the Tax Exemption Period will be subject to preferential income tax rates. If such gains were deemed to have accrued before the individual investor becomes a Puerto Rico resident and are recognized within 10 years after the date the investor established residence in Puerto Rico, the gains will be taxed at a 15 percent income tax rate. If such gains are recognized after the 10-year period, but prior to January 1, 2036, a 5 percent income tax rate will apply. Gains related to investment appreciation considered accrued after the investor becomes a Puerto Rico resident will be 100 percent exempted from Puerto Rico income taxes.

Under the Incentives Code a Resident Individual Investor may transfer or donate freely, inter-vivos, and at their own discretion all or part of their assets to the trusts described above, irrespective of whether the assets transferred or donated are tangible or intangible in nature; where the property is located, and the transfer, donation, testamentary disposition and /or the terms and conditions of such trust is inconsistent or to the contrary to any legal or regulatory provision in Puerto Rico, including but not limited to the provisions of the Civil Code of Puerto Rico, including community property and forced heirship rules.

The Incentives Code require individuals who apply for a tax decree after December 31, 2019 to purchase a residential property in Puerto Rico within the first two years after the issuance of the decree. Also, Resident Individual Investors must make a charitable contribution of at least \$10,000 to any non-for-profit organization operating in Puerto Rico that are certified as tax exempt entities under Section 1101.01(a)(2) of the Puerto Rico Internal Revenue Code, as amended (the “PR Code”) beginning on the second year after the issuance of the decree. Failure to comply with these requirements would result in the retroactive revocation of the tax decree.

Qualified Physicians

In order to incentivize medical professionals to stay in Puerto Rico or move to Puerto Rico and practice medicine locally, the Incentives Code provide some tax benefits to bona fide residents admitted to medical practice, podiatry, dental or odontology practice who practice medicine as a full time and provide one hundred eighty (180) hours of community service (the “Qualified Physicians”). The Qualified Physicians must be operating from a geographical area with shortage of specialized physicians. Applicants that are bona fide residents of Puerto Rico will have until September 30, 2019 to request a decree, while physicians that are not bona fide residents of Puerto Rico as of July 1, 2019 will have until June 30, 2020 to file the corresponding application.

During the term of the decree, Qualified Physicians will enjoy a: (i) four percent (4%) income tax rate on income generated from the professional medical services offered in Puerto Rico, and (ii) one hundred percent (100%) tax-exemption for distributions from earnings and profits derived from the professional medical services up to \$250,000. The tax decree will have a term of fifteen (15) years, renewable for fifteen (15) additional years, provided that the Qualified Physician met all the requirements and conditions set forth in the decree.

Also, the Incentives Code adopts a program of repayment of student loans of up to \$65,000 for certain physicians, dentists, veterinarians and scientific researches who obtained their doctoral degrees after July 1, 2019. The program applies to health professionals that are committed to establishing their practice in Puerto Rico for a minimum of seven (7) consecutive years. The program is subject to the availability of funds.

Professionals of Difficult Recruitment

A new incentive is available for professionals of difficult recruitment. These are individuals that work full time with a specialized knowledge that is considered indispensable to an exempt business that possess a grant. To avail from the benefits granted on the Incentives Code for such individuals, these individuals must obtain a grant and comply with certain requirements that will be adopted through regulations. Salaries up to \$100,000 derived by these professionals will be subject to ordinary PR income tax rates while salaries and benefits over \$100,000 will be exempt from PR income taxes, including the alternate basic tax.





Exportation of Services

The Incentives Code also seeks to establish Puerto Rico itself as an international center for the export of services by encouraging local service providers to expand their services to persons outside of Puerto Rico in aid of promoting the development of new businesses in Puerto Rico and stimulating the inbound transfer of service providers to Puerto Rico.

The Incentives Code allows business enterprises, ranging from advertising, shared services centers, trading companies and accounting and legal services, to telemedicine facilities, medical tourism and blockchain services to benefit from special tax rates applicable to income derived from services rendered to customers from outside Puerto Rico (hereinafter referred to as “Eligible Business”). Services for foreign markets are services performed for nonresident individuals or foreign entities that have no nexus with Puerto Rico. Services provided for a U.S., non-Puerto Rico client would qualify. In other words, the eligible service is not, and will not be, related to the conduct of a trade, business or other activity in Puerto Rico. For example, warehousing and distribution services for products manufactured outside of Puerto Rico and to be distributed to markets outside of Puerto Rico will be considered eligible services.

To enjoy the benefits granted under the Incentives Code, an Eligible Business must request and obtain a tax exemption decree. Such decree will have a term of fifteen (15) years, renewable for fifteen (15) additional years, provided that the Eligible Business met all the requirements and conditions set forth in the decree. To avail from the benefits of the Incentives Code, certain conditions must be satisfied by the Eligible Business, such as maintaining a minimum of one (1) direct employee for businesses with an annual projected or actual volume of business of more than \$3,000,000. The Secretary has the authority to impose a higher employment requirement if deemed appropriate taking into consideration the best interests of Puerto Rico.

The tax exemption decree will constitute a contract with the Puerto Rico government not subject to subsequent legislative changes. During the term of the decree, the grantee will enjoy a: (i) four percent (4%) income tax rate on export services income, (ii) one hundred percent (100%) tax-exemption for distributions from earnings and profits derived from the export services income, (iii) seventy five percent (75%) exemption from property tax and (iv) fifty percent (50%) exemption from municipal license tax.

Housing Incentives

Act 2016-2011 grants individual residents and non-residents of Puerto Rico various incentives for sale and purchase of certain real property ("Eligible Property") executed between July 1, 2013 and December 31, 2020 (the "Closing Period").

Currently, Eligible Property under Act 216-2011 includes newly constructed residential real property acquired from a developer ("Newly Constructed Property") that is suitable for family occupation and has not been previously occupied.

Some of the benefits provided under Act 216-2011 include:

- One hundred percent (100%) tax exemption from income taxes, including the alternative minimum tax, imposed on the capital gain derived from the sale of Newly Constructed Property acquired during the Closing Period;
- One hundred percent (100%) tax exemption on property taxes of Newly Constructed Property acquired during the Closing Period, available for a maximum period of five (5) years after the acquisition (starting on January 1, 2011 and ending on December 31, 2022); and
- One hundred percent (100%) exemption from the stamps, fees, vouchers and other transfer costs applicable to the execution and recordation of documents related to the sale, purchase, rent and/or mortgage of Newly Constructed Property sold during the Closing Period.

As previously stated, Act 132-2010 provides a 100% income tax exemption (including total exemption from income tax withholding) on residential rental income derived by PR residents and non-residents and these benefits expire on December 31, 2025 (in order to claim the benefits, the lessor must file a PR income tax return to declare the rental income as 100% exempt).



International Financial Entities

The Incentives Code offer tax benefits to businesses engaged in international financial services in Puerto Rico. To avail from such benefits, a business needs to become an international financial entity (“IFE”) by applying for a permit and license from the Office of the Commissioner of Financial Institutions (“OCIF”) and obtaining a tax exemption decree from the Department of Economic Development and Commerce (“DDEC”). An IFE may be any person, that is not an individual, and that is incorporated or organized under the laws of Puerto Rico, the United States, or any other country.

The tax exemption decree issued by DDEC will be considered a contract between the Government of Puerto Rico and the IFE. Once the IFE obtains the tax exemption decree, the benefits granted will be secured during the term of the decree irrespective of any changes in the applicable Puerto Rico tax laws. The decree will be effective during a period of fifteen (15) years renewable for fifteen (15) additional years, provided that the IFE met all the requirements and conditions set forth in the decree. During the term of the decree, the grantee will enjoy a: (i) four percent (4%) income tax rate, (ii) seventy five percent (75%) exemption from property tax and (iii) fifty percent (50%) exemption from municipal license tax. Additionally, any domestic person that is a partner or shareholder of an IFE that posses a decree will be subject to an income tax rate of six percent (6%) in distribution of dividends or benefits of the net income of the IFE (Resident Individual Investor would be one hundred percent (100%) exempt on the IFE dividends under the Incentives Code).

International Insurers

An international insurer is an entity organized in Puerto Rico to offer direct insurance or reinsurance outside of Puerto Rico (“International Insurer”). International reinsurers (“Reinsurers”) may assume risks in Puerto Rico upon compliance of the requirements thereof. An international insurer holding company is a Puerto Rico corporation that holds interest in an international insurer or another international insurer holding company. A foreign insurer may establish a branch as an international insurer.

The Incentives Code, provides the following tax exemptions to International Insurers or Reinsurers that apply and qualify for an international insurer license:

- Four percent (4%) tax on income derived by International Insurers in excess of \$1,200,000 (100% exemption of the first \$1,200,000 of net income);
- One hundred percent (100%) tax exemption on dividends and distributions to its shareholders;
- Fifty percent (50%) tax exemption from municipal license tax;
- Seventy five percent (75%) exemption from property tax; and
- One hundred percent (100%) tax exemption on interest, dividends or distributions paid to foreign entities or non-residents, not engaged in business in Puerto Rico (and to Resident Individual Investors pursuant to the Incentives Code).

To avail from such benefits, the International Insurer must apply for a certificate of authority from the Office of the Insurance Commissioner and obtain a tax exemption decree from DDEC. The decree will be effective during a period of fifteen (15) years renewable for fifteen (15) additional years, provided that the International Insurer met all the requirements and conditions set forth in the decree.

The benefits granted to International Insurers under the Incentives Code facilitate the following business opportunities, among others:

- Alternative Risk Management strategies as Captive or Associated captives’ insurers.
- Insurers or Reinsurers vehicle to enter Latin America or US Markets.
- Special Purpose Vehicles.
- Vehicle for Integrated Insurance Plans.
- Corporate reorganization using International Insurers Holding Companies.
- Segregated Assets Plans to serve High Net Worth Individual market.
- Securitization Programs.



Opportunity Zones Incentives

In an effort to make the island an investment destination for qualified opportunity zone funds that invest in projects located in qualified opportunity zones, the Incentives Code adopted a new incentives regime for these types of projects. Taking into consideration that approximately ninety five percent (95%) of Puerto Rico has been designated as an opportunity zone, the Incentives Code provides tax incentives for eligible businesses that meet the following requirements: (i) render all of its activities in an eligible zone; (ii) is not eligible for a tax decree under Act 20-2012, Act 73-2008, Act 74-2010 or Act 27-2011; (iii) the business activity is performed by a qualified opportunity fund or any qualified opportunity zone business owned by a qualified opportunity fund; and (iv) the business activity is designated as a Priority Project.

Business that are designated as priority projects qualify for a tax exemption decree with the following tax benefits:

- Eighteen-point five percent (18.5%) income tax rate in lieu of any other PR income tax;
- One hundred percent (100%) exemption on dividends distributed from earning and profits derived from the priority project's opportunity zone net income;
- Twenty five percent (25%) exemption on personal and real property tax that may be increased to seventy five percent (75%) by municipal ordinance; • Twenty five percent (25%) exemption from municipal construction excise tax;
- Twenty five percent (25%) exemption from municipal license tax that may be increased to seventy five percent (75%) by municipal ordinance; and
- Eighteen-point five percent (18.5%) withholding at source on rents, royalties and license fees paid to entities not engaged in trade or business in PR or no-resident individuals.

The Incentives Code also allow for tax credits of a maximum of twenty five percent (25%) and a minimum of five percent (5%), of the cash contribution to Priority Projects (the "Tax Credit"). The Tax Credit may be used in four (4) installments of twenty five percent (25%) of the credit, commencing on the date that the construction is finished or the commencement of operations date. The Tax Credit is transferable.

To avail from such benefits, the eligible business must apply for a tax exemption decree form DDEC. The decree will be effective during a period of fifteen (15) years renewable for fifteen (15) additional years, provided that the business services all the requirements and conditions set forth in the decree.

EB-5 Visa Investor Program

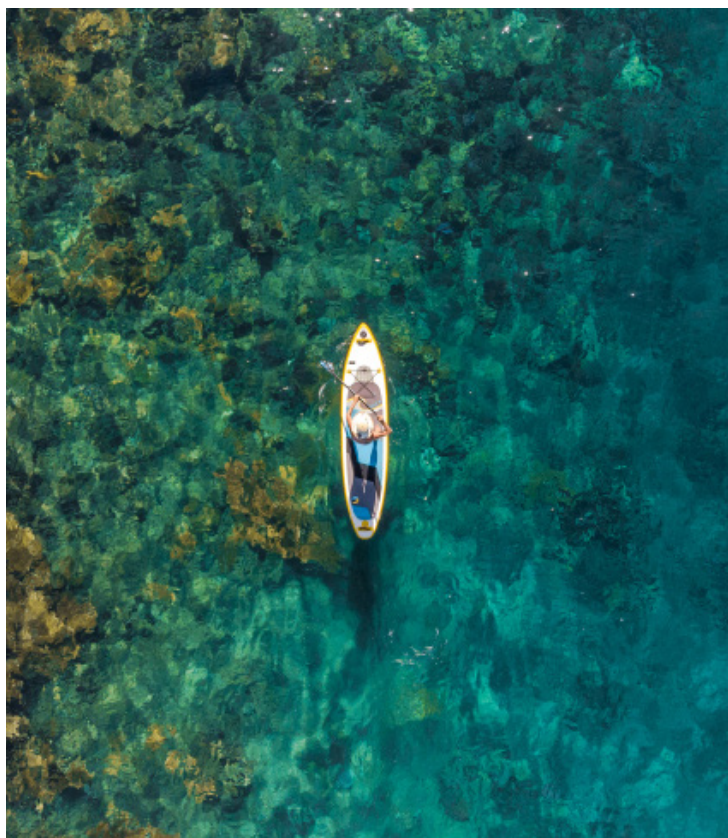
The EB-5 Visa Program was established in 1990 by the US federal government to provide opportunities for: (i) foreign investors to obtain a Green Card and US citizenship, (ii) companies and developers to obtain capital for their projects or operations, and (iii) agents and professionals to obtain fees for implementing the EB-5 investments.

The EB-5 Visa Program authorizes up to 10,000 Green Cards per year, for foreign individuals who invest at least \$500,000 in qualifying projects in US (including Puerto Rico) or \$1,000,000 if a project is not in a qualifying location within US (including Puerto Rico). The key criteria for qualification are:

- Project must be located (i) in a Targeted Employment Area (“TEA”) which means a census tract or series of census tracts with an unemployment rate at least 150% of the national average; or (ii) in a rural area, which is any area outside a metropolitan statistical area or outside the boundary of any city or town having a population of 20,000 or more;
- The investment is mostly made for at least a period of five (5) years, and must have some level of risk; and
- The project must produce at least 10 full-time jobs for U.S. workers per investor.

Also, the EB-5 visa can be obtained through a Regional Center, which is a private or public entity set up to promote economic growth in a specific region. To be a Regional Center, the entity has to make an application and be approved by the United States Immigration and Citizenship Service. The approval is for a specific geographic area and for specific industry codes. A Regional Center cannot do an EB-5 project outside of that specific authority. There are proposed Regional Centers that will be established in Puerto Rico in the near future. Becoming a US Citizen through an EB-5 Program while residing in Puerto Rico has US estate tax advantages (you should consult your tax advisor in relation to this topic).

****NOTE:** This guide has been prepared for informational purposes only. It is not intended as, and does not constitute, legal advice. It is recommended that any person who reads this guide seek advice from their lawyer and/or financial advisor before carrying out any transaction described here.



How to buy in Puerto Rico

Puerto Rico law does not prohibit or restrict a foreign person from acquiring real estate in Puerto Rico. Under Puerto Rico law, title is referred to as fee simple (*pleno dominio*), and can be acquired by a purchase and sale, gift, inheritance, exchange or by adverse possession. Fee simple entitles the owner to sell, transfer, mortgage, encumber, lease and/or use the property, subject to zoning regulations and recorded easements, covenants and other liens and encumbrances.

Fee simple title can be acquired by a private contract between the transferor and transferee. However, if the parties wish for the transfer of title to affect third parties, title must be transferred by a public deed executed before a notary public in PR. A certified copy of this deed is then filed for recordation in the applicable Section of the Registry of Property of Puerto Rico (the “Registry.”) Parties to a real estate transaction must pay stamps and recording costs upon the execution of a deed which is to be filed in the Registry, the cost of which depends on the amount of the transaction (such as the purchase price in a purchase and sale transaction). The rate is approximately \$5.65 per thousand. Notaries in Puerto Rico have to be admitted to practice of law and therefore, only lawyers may act as notaries in the legalization of documents that need to be registered at the Puerto Rico Registry of Property, such as deeds of purchase and sale. The maximum allowable notary fee in Puerto Rico is one percent (1%) of the property value for the first US \$500,000 plus 0.5% of the amount in excess of \$500,000 and notary charges tend to be close to the aforesaid maximum allowable amount. Prospective purchasers and mortgagees may examine title with respect to a parcel in PR by examining the records of the Section of the Registry which covers the municipality where the parcel is located. Title is usually examined by requesting a local title company to prepare a title study with respect to a parcel. Said title study will show who owns the parcel, the liens and encumbrances to which the parcel is subject and the priority of said liens, and any judicial or creditor liens that may have been filed. A title study, if prepared properly, would reflect defects in the chain of title, if any.

It is recommended that a person who acquires fee simple title or any other real property right that it do so by means of a public deed, and that a certified copy thereof be filed for recordation in the Registry. The foregoing action, coupled with other requirements, would protect the acquirer as a “registered third party” from unrecorded rights and subsequent fraudulent sales by the seller/transferor. Also, it is typical in PR for an acquirer of fee simple title to obtain property title insurance. This insurance protects the insurers from damages sustained by reason of (I) title to the property being vested other than in the insurer, (II) any defect in or lien or encumbrance on title, (III) unmarketability of title, and (IV) lack of a right of access.

Act No. 132 enacted on September 2, 2010, as amended (“Act 132-2010”) provides a one hundred percent (100%) income tax exemption (including total exemption from income tax withholding) on residential rental income derived by PR residents and non-residents and these benefits expire on December 31, 2025 (in order to claim the benefits the lessor must file a PR income tax return to declare the rental income as 100% exempt). Additionally, on November 1st, 2011 the governor of Puerto Rico enacted Act No. 216 of 2011, as amended (“Act 216-2011”) which, together with various housing programs, is intended to promote the acquisition and investment in the housing market on the Island. Investors, executives and business owners already benefiting from other incentives laws in Puerto Rico or individuals simply wanting to invest in a property in Puerto Rico can benefit from this and other incentives that range from total exemption of property taxes to cash incentives for transaction costs. See the Economic Incentives in Puerto Rico section below.



Documents Needed to complete a loan Application

Personal income documents

Salaried employment:

- Copy of the last two paycheck stubs showing year-to-date income
- Complete copy of the two previous years tax returns form and all its addendums
- Copy of W-2 form for the past year.

For self-employment, sole Proprietor:

- Copy of the financial statements for the previous two years and year-to-date, including Profit and Loss statement.
- Copy of the last six months of business bank statements

For corporation:

- Copy of the Municipal Patent and Incorporation Certificate
- Copy of year-to-date Profit and Loss statement
- Copy of the previous two years of tax returns
- The last two years of financial statements supported by six months of bank statements

For retirement income:

- Original Social Security Award Letter of Pension Award Letter
- Copy of the previous two years tax returns

For rental income:

- Copy of complete tax return for previous two years (including Schedule E) or
- Copy of lease or rental agreement for all properties

Asset documents

- Copy of the three most recent account statements for all checking, savings or other asset accounts

Liabilities (debts other than consumer credit accounts)

- A copy of the fully executed divorce decree indicating the amount of child support, alimony or separate maintenance payments, if applicable.

Banks in Puerto Rico

Banco Popular de Puerto Rico 787-765-9800
Banco Santander 787-777-4100
First Bank 787-792-8200
Oriental Bank 787-771-6800
Scotiabank 787-758-8989
Banco Cooperativo de Puerto Rico 787-641-2300



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