

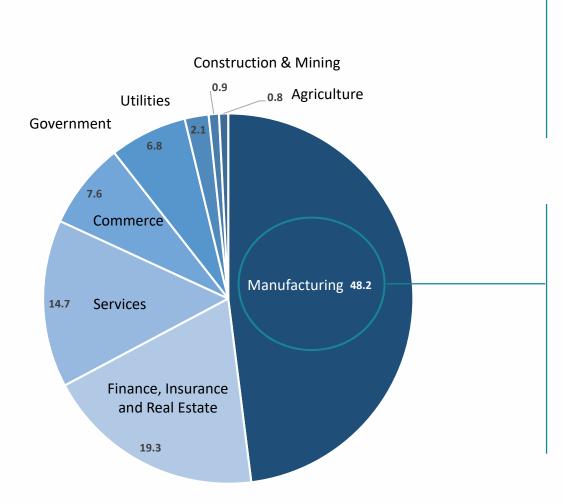
20/22 Social and Economic Impact

Manuel A. Laboy Rivera, Eng. Secretary, Department of Economic Development and Commerce



Our Economy

Gross Domestic Product Share by Main Economic Sectors FISCAL YEAR 2017



GPN \$70.1 billion

GDP \$105.0 billion

GDP PER CAPITA \$30,516

EXPORTS VALUE \$71.9 billion

IMPORTS VALUE \$43.3 billion

TOURISM: Approximately 7% of GDP

MANUFACTURING SECTOR GDP

44.6% Bio-Pharma/Life Science

20.2% Computer and Electronics

19.8% Basic Chemicals

5.4% Medical Devices

3.1% Beverages & Tobacco

2.4% Food

1.4% Electrical Equipment & Components

3.1% Others



Economic Development Plan Vision and Public Policy – Governor Rosselló

PUERTO RICO









Leader of the Human Cloud



Economic Development

GDP Growth & Productivity

GDP = Personal consumption + expenditure

Government consumption + expenditure

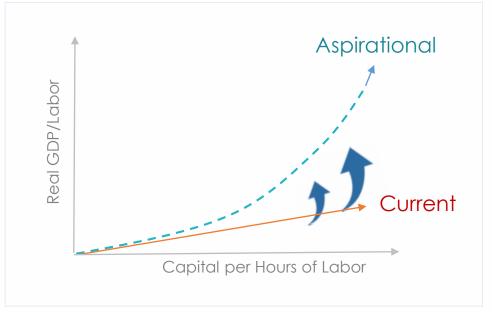
Gross **public*** domestic investment

Gross **private** domestic investment

(Sales Exports

Purchases)
Imports

Productivity is expressed in function of youth & workforce development, innovation and competitiveness as our main components.



Factors such as **labor**, **capital** and **technology**, among others, will affect the available resources.



We are committed to

continue improving our business climate in order to be an optimal and competitive investment destination



The current circumstances create momentum for implementing a comprehensive structural reforms package to attract private capital investment and achieve strong, sustainable and balanced economic growth



Attractive Tax Incentives

ACT 20:

Tax Incentives to Promote Export Services in Puerto Rico

TAX BENEFITS

- √ 4% maximum corporate tax rate
- Dividends and distributions from earnings and profits are tax exempt
- Certain investment income also qualifies for 4% tax rate
- √ 60% exemption on municipal gross receipts tax
- √ 90% exemption on property taxes for certain types
 of businesses
- √ No job creation requirement
- √ 20-Year Tax Decree with the Government of Puerto Rico (extendable for 10 years)

REQUIREMENTS

- ✓ Bona-fide entity established in Puerto Rico
- ✓ Provide an eligible service
- ✓ With no nexus to Puerto Rico
- √ No job creation requirement



Eligible Activities



Tax Incentives to
Promote Export Services
in Puerto Rico

- ✓ R&D
- ✓ Advertising & public relations
- ✓ Consulting services
- Advice services on matters related to any trade or business
- ✓ Creative industries
- ✓ Centralized managerial services
- ✓ Productions of blueprints, engineering & architectural services & project management

- ✓ Electronic data processing center
- ✓ Development of licensable computer software
- ✓ Call centers
- ✓ Shared services centers
- ✓ Telecommunications & data between persons located outside Puerto Rico
- ✓ Storage & distribution centers (hubs)
- ✓ Educational & training services

- ✓ Hospital & Laboratories services, including telemedicine facilities & medical tourism services
- ✓ Investment banking & other financial services
- ✓ Commercial & mercantile distribution of products manufactured in P.R. for jurisdiction outside P.R.
- Assembly, bottling and packaging operations of products for export

- ✓ Trading companies
- ✓ Any other services designated by Secretary of DEDC



Attractive Tax Incentives

ACT 22:

Individual Investors



TAX BENEFITS

Passive Income Exemption

New residents
will enjoy a
100% tax
exemption from
Puerto Rico
income taxes
on all dividend
and interest
income.

Capital Gain

Exemptions

 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.

REQUIREMENTS

- Available to new residents who have not lived in Puerto Rico over the 6 years preceding the effective date of Act 22 (January 16th, 2006 to January 16th, 2012).
- Become a bona fide resident of Puerto Rico

- Expedite process on Act 22 (for new cases) average 30 days
- Tax exemptions under **Act 22** are valid through December 31, 2035.



Tax Exemption

Decrees (Act 20 & 22)

2016 Fiscal Year	Decree	2018 Fiscal Year
249	Act 20 of 2012 (Export Services)	610
341	Act 22 of 2012 (Individual Investors)	700



New Incentives Code

New Incentives Code seeks to revamp the way in which all economic incentives are reviewed, approved and managed.

- The Incentive Code seeks to encourage activities that produce a positive RETURN OF INVESTMENT (ROI).
- Establish an easy and efficient process to request incentives.
- Strengthen compliance and control of incentives.
- 100% fiscal transparency, accountability and fiscal risk for all the economic incentives.

SUBSECTION AND CATEGORIES OF NEW CODE













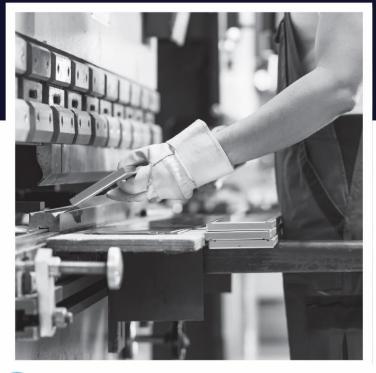




PROPOSED NEW INCENTIVES CODE

- New code proposes to add all incentive laws and programs under one law.
- The new code will be divided into sections with different characteristics and prerequisites for each to attend
 different sectors and strategic economic activity.
- Will follow the proposed economic principles to promote innovation, competitiveness and activities that increase the value of Puerto Rico.





- Energy
- Information Technology
- Manufacturing/Industrial
- Life Sciences
- Aerospace & Engineering

Unprecedented Investment Opportunities:

- Telecommunications
- Food and Beverages
- Real Estate
- Mospitality and Tourism
- Sharing Economy

P3's, OZ, Local Incentives and DR Funds

- Wellness Health and Wellness
- Medicinal Cannabis
- Industrial Hemp
- And more...



Manuel A. Laboy Rivera, Eng.

Secretary

Department of Economic Development and Commerce

P.O. Box 362350

San Juan, PR 00936-2350



Department of Economic Development and Commerce

THANK YOU!

PHONE: 787-765-2900

EMAIL: secretario@ddec.pr.gov

