

**COUNTRY GUIDE**

# PUERTO RICO

After being ceded to the U.S. as a result of the Spanish-American War, Puerto Rico became an unincorporated territory of the U.S. in 1898. Facing the challenges of recuperating its economy from a recession and recovering from the damage caused by hurricane Maria, Puerto Rico still provides many advantages for businesses.


**TAX INCENTIVES**

Companies engaged in certain activities may qualify for reduced tax rates (4% with a withholding rate on royalty payments of 12%, 4% fixed income tax rate on Incentive Development Income, 4% on export services income, etc.), deductions and credits.

**REAL ESTATE INVESTMENT**

Puerto Rico's government created opportunity zones that allow companies to defer taxes on their investments until 2026, potentially reducing the amount owed by as much as 15%. Additionally, if the investment is kept for at least 10 years, companies are not required to pay capital gains taxes on appreciation.

**LIFE SCIENCES**

Puerto Rico is one of the most important biopharmaceutical manufacturing centers in the world, with many of the top multinational pharmaceutical companies operating on the island. Its workforce is highly knowledgeable in life sciences and offers the lowest labor cost of any U.S. jurisdiction.

**ENERGY INNOVATION**

Due to the devastation caused by hurricane Maria, the island is building a new energy grid, providing an opportunity for innovation. Puerto Rico's government signed a bill committing to power the island solely by renewable energy by 2050.

 <b>Geography</b>	<p><b>Location:</b> Puerto Rico is part of the Greater Antilles archipelago in the Caribbean and is located between the Dominican Republic (to the west) and the Virgin Islands (to the east).</p> <p><b>Area:</b> 9,104 sq. km.</p> <p><b>Time Zone:</b> Atlantic Standard Time (GMT-4)</p>
	
 <b>Population</b>	<p>3.3 Million</p>
 <b>Language(s)</b>	<p>Spanish, English</p>
 <b>Economy</b>	<p>Mainly based on services and manufacturing, including pharmaceuticals, textiles, petrochemicals, real estate tourism and insurance, among others</p>
 <b>Capital City</b>	<p>San Juan</p>
 <b>Currency</b>	<p>U.S. Dollar (USD)</p>
 <b>Political structure</b>	<p>Self-governing commonwealth in political association with the US</p>
 <b>Legal system</b>	<p>Mix of common law and civil law</p>

This information is not intended to provide legal advice or serve as a substitute for legal research to address specific situations.

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# Main Types of Legal Entities

	LIMITED LIABILITY COMPANY (LLC)	CORPORATION	FOREIGN BRANCH
<b>Share capital</b>			
Minimum paid-up	No minimum required	No minimum required	No minimum required
Maximum authorized	No limitation	No limitation	No limitation
Usual currency	USD	USD	USD
Permitted currencies	No restrictions	No restrictions	No restrictions
<b>Domiciliation</b>			
Registered address	Required	Required	Required
<b>Directors</b>			
Minimum number	Must have at least one member	One	Based on parent company requirement
Minimum local	Not required, but must have a local registered agent	Not required, but must have a local registered agent	One
Corporate directors	Allowed	Allowed	N/A
<b>Statutory</b>			
Annual filing	Required	Required	Required
Company secretary	Not required	One of the directors can be assigned	Based on parent company requirement
Annual general meeting (AGM)	Not required	Annual shareholder and director meeting required	Based on parent company requirement
Beneficial owner reporting	Not required	Not required	Not required
Re-domiciliation	Allowed	Allowed	N/A
<b>Financial administration</b>			
Audit required	Required only if volume of business is \$3 million and over	Required only if volume of business is \$3 million and over	Required only if volume of business is \$3 million and over
Filing of annual return	Required. If classified as a partnership, each member files at their individual tax rate.	Required	Required
<b>Tax</b>			
Tax rates	37.5%	37.5%	37.5%
VAT	11.5%	11.5%	11.5%
Tax treaties	There are no tax treaties between foreign countries and Puerto Rico	There are no tax treaties between foreign countries and Puerto Rico	N/A
Other taxes	Withholding tax, municipal gross receipts tax, property tax, etc.	Capital gains, withholding tax, municipal gross receipts tax, property tax, etc.	Branch profit tax, etc.
<b>Government fees</b>			
Registry fee	\$250 registration fee and \$150 annually	\$150 registration fee and \$150 annually (\$5 for non-profits)	\$150 registration fee and \$150 annually
License fee	Depends on type of business	Depends on type of business	Depends on type of business
<b>Incorporation process</b>			
Summary	<ul style="list-style-type: none"> <li>&gt; Registration with the Secretary of State</li> <li>&gt; Filing of the Certificate of Formation or Certificate of Organization</li> <li>&gt; Payment of \$250 registration fee</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Registration with the Secretary of State</li> <li>&gt; Filing of the Certificate of Incorporation or Articles of Incorporation</li> <li>&gt; Payment of \$150 registration fee (\$5 for non-profits)</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Registration with the Secretary of State</li> <li>&gt; Filing of the parent company's Articles of Incorporation</li> <li>&gt; Statement of business it plans to conduct in Puerto Rico, among others</li> <li>&gt; Payment of \$150 registration fee</li> </ul>
Time	1-2 days	1-2 days	1-2 days
<b>Other</b>			
Are shelf corporations available?	N/A	N/A	N/A

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# CT Service Offerings – Puerto Rico

## Global Transactional Services

- Due diligence searches
  - Certificate of Good Standing (or equivalent)
  - Health check services
  - Liens/charges
  - Litigation
  - Bankruptcy
- Document retrieval
  - Articles of Incorporation
  - Memorandum of Association
  - Chamber of Commerce Extract
- Authentications and legalizations
- Board changes
- Company searches
- Incorporations
- Liquidation of entities
- Process agent appointments
- Translation services
- Annual Reports



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