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A PUBLICATION FROM THE TAX DIVISION

ACT NO. 60 EXPORT SERVICES



Chapter 3 of Subtitle D of Act 60 of 2019, as amended, Export of Goods and Services, provides tax exemption and credits to businesses engaged in eligible activities in Puerto Rico.

Eligible Services

Eligible services include, but are not limited to:

- * Research and development;
- * Advertising and public relations;
- * Economic, environmental, technological, scientific, managerial, marketing, human resources, computer, and auditing consulting services
- * Advice on matters related to any trade or business;
- * Creative industries, as defined in Section 1020.09 of Act 60 ;
- * Production of blueprints, architectural and engineering services, and project management;
- * Professional services, such as legal, tax, and accounting services;
- * Centralized management services, including distribution and logistics;
- * Centers for electronic data processing;
- * Development of computer programs;
- * Distribution in physical form, on the internet, by cloud computing, or block chain and the income from licenses, of program subscriptions or service charges;
- * Voice, video, audio and data telecommunications between persons located outside of Puerto Rico;
- * Call centers;
- * Shared services centers;
- * Educational and training services;
- * Hospital and laboratory services, including medical tourism and telemedicine facilities;

Please contact your account service partner should you have any questions or comments or if you need additional information regarding these matters.

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ACT NO. 60 EXPORT SERVICES

Eligible Services (continued)

- * Investment banking and other financial services;
- * Marketing centers primarily engaged in providing, through a rent charge, services or other charges, certain space and services;
- * Trading companies (included in Section 2031.02);
- * Promoter services

An eligible service must also qualify as an export service, which is defined as a service rendered for the benefit of:

- * An individual who is not a resident of Puerto Rico; or¹
- * A trust whose beneficiaries, trustors, and trustees are not residents in Puerto Rico; or¹
- * An estate whose testator, heir, legatee, or executor is not, or in the case of the testator, was a resident of Puerto Rico; or¹
- * A person doing business in Puerto Rico, insofar as the services do not have a connection to Puerto Rico and the services are destined to a client that meets any of the above dispositions.

Special Rules

In the case of **existing** Puerto Rico businesses, only the portion of net income derived from eligible services that exceeds the average net income generated during taxable years preceding the tax exemption decree will be subject to the reduced rates provided by the Act.

In the case of **service promoters**, the net income to be reported will be included in the tax year when incurred. The Secretary of the Department of Economic Development and Commerce may allow an alternate method of recognition in certain circumstances.

The Act imposes an employment requirement of one full time employee if the volume of business of the export service business is \$3,000,000 or more.

¹Service must not have nexus with Puerto Rico.

ACT NO. 60

EXPORT SERVICES

Tax Rates & Exemptions

The Act provides the following benefits to eligible businesses under a tax exemption decree:

- * A fixed tax rate of 4% on income derived from the export of services.
- * 0% tax rate on dividends or profit distributions from the exempt business to shareholders, partners, or members.
- * 75% exemption of real and personal property taxes imposed by Act 83-1991 for the term of the grant (15 years).
- * 50% exemption of municipal taxes and municipal licenses applicable to the volume of business during the term of the decree (15 years).

Filings

Eligible businesses must submit an application with the Office of Industrial Tax Exemption of Puerto Rico with a filing fee of \$1,000. Once approved, the grant is a contract between the grantee and the Government of Puerto Rico.

Businesses shall file an annual income tax return with the Secretary of the Treasury (regardless of the amount of their gross or net income) with regards to the operations covered by the Act. In addition, businesses shall annually file with the Exemption Office an Annual Report for Exempt Business, not later than 30 days after filing the corresponding income tax return. A \$500 annual fee will be required at the time of filing the Annual Report.

Tax Exemption Period

An eligible business that holds a decree under this Act shall enjoy the benefits of this Act for a period of 15 years. Businesses that have met the requirements during the exemption period, may request to the Secretary of the Department of Economic Development and Commerce an extension of the decree for another 15 years, for a total 30 years. During such extension, the eligible business shall enjoy a fixed income tax rate of 4%.

Valdés, García, Marín & Martínez, LLP is a Puerto Rico based firm of Certified Public Accountants and Consultants organized as a partnership for the practice of public accounting since 1975. Our 40 years of experience in public accounting support our commitment to excellence and professionalism. This publication has been prepared for informative purposes. It is not intended to provide and does not constitute tax advice.

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