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# Act to incentivize the transferal of individual investors to Puerto Rico

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- **Act's main objectives:**

- The incentive intends to mobilize investments (mutual funds, stocks, fixed income,...) from outside of PR to PR, through the movement of individuals (*Resident Individual Investors: RII*) who have not been residents of PR during the 15 years prior to the approval of this Act. The implementation of the Act looks to boost the economy of Puerto Rico through consumption and investment of the new residents. The tax exemption is not created for an unlimited time period, ending on 12/31/2035.

- **Resident Individual Investors (RII):**

- Resident individual who has not been a resident of PR during the 15 years prior to the approval of this Act.

- **Tax exemptions on Interests and Dividends:**

- An *RII* will be totally exempt from PR income tax payments, as long as those revenues were derived from companies registered under Section 1112.01 of the Code.
- Furthermore, income of an *RII* will be totally exempt from PR income tax payments when the income is derived from interests, finance charges, dividends and/or participation on equity derived from International Banking Entities authorized by the International Banking Center Act.

- **Tax exemptions on Long Term Net Capital Gains:**

- Asset appreciation before turning into a PR resident: An *RII*'s Long Term Net Capital Gain derived from any assets bought before turning into a PR resident and recognized after 10 years of being considered a PR resident and before 01/01/2036 will be subject to a 5% PR income tax.
- Asset appreciation after turning into a PR resident: An *RII*'s Long Term Net Capital Gain derived from any assets bought after turning into a PR resident and before 01/01/2036 will be totally exempt from PR income tax.



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- **Exemption from the minimum requirement of employment under International Banking Center Act:**
  - Although contemplated under the International Banking Center Act, there will not be a minimum employee's requirement, if the *R/I* holds shares or any kind of participation on equity of an International Banking Entities in accordance with the International Banking Center Act.
  
- **Prospect benefits on PR economy:**
  - Boosting the Real Estate market and economic growth through its multiplier effect on the PR economy.
  - Activating the real economy through consumption and investment of new residents.
  - Improvement of the credit conditions of the PR banking system by increasing its deposits and the possibility to offer a greater variety of sophisticated investment products.
  - Creation of the adequate environment to boost private equity and venture capital industry in order to professionalize management of family owned businesses
  - Creation of a new hub of sophisticated financial services: wealth management, hedge funds...
  - Sophisticated professional services rendered to the new residents: CFAs, CPAs, economists, architects, engineers, lawyers...
  - Generation of high-end leisure complexes and supporting services suitable for the socioeconomic level of the new residents: golf course, yacht clubs...