

Tax Alert: Recent amendments to Act 20-2012 and Act 22-2012

On December 19 and 22, 2014, Acts 232 and 241 were approved to amend Act 20-2012 and Act 22-2012, respectively. In the case of Act 232-2014, the amendments to Act 20 were made to add certain additional eligible activities. On the other hand, Act 22-2012 was amended to ease some of the eligibility requirements as well as to facilitate the legal aspects for wealth transfer through trusts instruments after becoming a bona fide resident of Puerto Rico.

Act 232-2014 – Amendments to Act 20-2012

Act 232-2014 expanded the eligible activities for exportation of services that qualify for the benefits of Act 20-2012 by adding the following:

- commercial distribution outside Puerto Rico of products manufactured in Puerto Rico.
- export operations for assembly, bottling and packaging products.
- marketing centers providing certain consulting services.
- International Trading Companies (previously available under Act 73-2008)

In addition the eligible services already included in Act 20-2012 for management services provided by headquarters were expanded to include distribution and logistics services.

Act 241-2014 – Amendments to Act 22-2012

This amendment modifies certain requirements and procedural aspects of Act 22-2012 as follows:

- reduces from fifteen (15) years to six (6) years the required period of non-Puerto Rico residency prior to January 17, 2012 in order to qualify for the tax benefits provided by Act 22-2012.
- a special fee in the amount of \$5,000 is now required when the tax exemption decree is issued. The funds obtained from these fees will be used to cover the cost of promotion and administration of Act 22-2012.
- the individuals holding a tax exemption decree under Act 22-2012 will have to submit an annual report containing information as to the individual's compliance for the prior year with the requirements set forth in the tax decree. Such report will be filed in the Office of Industrial Tax Exemption (OITE) and the Puerto Rico Department of Treasury ("PRTD"), no later than April 15 of each year, with the corresponding filing fee (the amount of the filing fee has not yet been determined). A thirty (30) day extension can be requested for reasonable cause. OITE will perform at least one (1) compliance audit with respect to the terms and conditions of the tax exemption decree every two (2) years.



Contact us

For assistance in this matter, please contact us via maria.rivera@pr.gt.com or francisco.luis@pr.gt.com



Adding true value means exceeding our clients' expectations, anticipating their needs and being proactive and innovative in the accounting profession.

Through the **Kevane Grant Thornton business and tax application for mobile devices** you will have access to our Alerts, Tax News and other related matters, plus a customized tax calendar for individuals, businesses and other entities, thus providing an excellent tool to manage filing and payment due dates with government agencies in Puerto Rico.

Download for free the application. Available for iPhone, Motorola and all tablets.



Follow us on  

January 26, 2015

DISCLAIMER: This update and its content do not constitute advice. Clients should not act solely on the basis of the material contained in this publication. It is intended for information purposes only and should not be regarded as specific advice. In addition, advice from proper consultant should be obtained prior to taking action on any issue dealt with this update.

© 2015 Kevane Grant Thornton LLP All rights reserved.
Kevane Grant Thornton LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please visit www.kevane.com for further details.

Act 241-2014 also eases Puerto Rico legal issues for wealth transfers made by the Individual Investors when becoming bona fide residents of Puerto Rico.

In summary, the Individual Investor holding a tax exemption decree under Act 22-2012, may organize a Puerto Rico trust and elect it to be treated as a “grantor trust” for Puerto Rico tax purposes, even if such trust would not meet the requirements for this treatment under the Puerto Rico Internal Revenue Code.

The trust could be a revocable or irrevocable trust at the election of the Individual Investor.

When the Individual Investor organizes the trust outside Puerto Rico, it cannot be challenged in Puerto Rico using a Puerto Rico law or regulation to claim that the trust’s dispositions are contrary or inconsistent to the Puerto Rico legal standards.

Furthermore, transfers to trusts organized by the Individual Investors are not required to be made in accordance or meeting the Puerto Rico legal requirements for such type of transactions.

Please contact our Tax Department should you require additional information regarding this or any other tax issue; we will be glad to assist you.

