

Tax Alert: New incentives by the Municipality of San Juan

In search of sustainable economic growth through the establishment of new business enterprises, thus spurring job creation and the rehabilitation of the city, the Municipality of San Juan (“MSJ”) recently instituted a new development and tax incentives program under Chapter VI of the municipality’s Economic Development Code (the “Program”).

The Program is aimed at facilitating the establishing of new business throughout the following areas:

- the Santurce Urban Center;
- the Río Piedras Urban Center;
- the Condado area;
- the San Juan islet;
- designated zones within the MSJ’s Territorial Plan, such as:
 - La Perla
 - El Gandul
 - Parada 27
 - Villa Clemente
 - Cantera
 - Quebrada Arenas
 - Puerta de Tierra
 - Trastalleres
 - Villa Palmeras
 - Barrio Obrero
 - Cupey Alto, among many others.

New businesses that decide to commence operations within the aforementioned areas will enjoy the following benefits under the Program:

- one hundred percent (100%) exemption from Municipal License Taxes for a period of five (5) years; and
- one hundred percent (100%) exemption from Personal and Real Property Taxes for a period of five (5) and ten (10) years, respectively.

Existing businesses may also request tax incentives under the Program, as long as (i) capital investments in excess of \$75,000 are made, and (ii) either five (5) or more full-time jobs are created and maintained, or ten (10) part-time jobs with a requirement of no less than 900 hours per part-time employee. The benefits for existing businesses are the following:

- exemption from Municipal License Taxes for a period of five (5) years – the exemption percentage will be determined by the MSJ on a case-by-case basis; and
- one hundred percent (100%) exemption from Personal and Real Property Taxes for a period of five (5) years.

Moreover, new or existing business enterprises whose operations are outside of the Program’s development areas may file a petition for incentives. The economic benefit to the community, such as the creation of 75 new jobs, the construction or rehabilitation of commercial buildings, the construction of parking space and the capacity for attracting visitors, will be evaluated in each case to determine the kind of benefits to be bestowed on the petitioner.

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