

# BUSINESS INSIGHT



## TAX CHANGES APPLICABLE TO ACT NO. 22 AND ACT NO. 60 INDIVIDUAL RESIDENT INVESTORS

Act No. 40 of 2020, enacted on April 16th of this year, modified several provisions of Act. No. 60 of 2019 known as the Puerto Rico Tax Incentives Code; its predecessor incentives Acts, (namely Acts 20 and 22); as well as, other general tax provisions of the Puerto Rico Internal Revenue Code of 2011, as amended.

Below is a summary of some of the changes affecting Individual Resident Investors:

- The definition of Individual Resident Investor under Act No. 60 was modified and reinstated to its former definition under Act No. 22 such that individuals who were not residents of Puerto Rico between January 17, 2006 and January 17, 2012 and that become residents of Puerto Rico by not later than 2035 are eligible for the tax incentives. Under the definition originally included in Act No. 60, only individuals who were not residents of Puerto Rico between 2008 and 2018 were eligible for decree.
- The deadline for the filing of the required Exempt Annual Reports was changed to November 15th following the closing of the calendar tax year. In the case of Individual Resident Investors, the new deadline will apply to individuals with tax decrees awarded under Act No. 60 and under any previous incentive laws such as Act No. 22.
- The filing of the Exempt Annual Report for Individual Resident Investors with a decree under Act No. 60 or under Act No. 22 must now be accompanied by a filing fee of \$5,000 payable to the Secretary of the Puerto Rico Treasury (previously \$300). From this amount, \$300 will go to a Special Fund administered by the Department of Economic Development and Commerce, and the remaining \$4,700 will go to the Commonwealth of Puerto Rico General Fund.
- The \$10,000 minimum donation requirement for Individual Resident Investors with a tax decree under Act No. 60, was modified to require that no less than \$5,000 be donated to entities dedicated to eradicating child poverty from a list of organizations published by a special legislative joint commission on community impact. Donations over \$5,000 must be made to a not for profit entity exempt under section 1101.01 of the Tax Code. This \$10,000 minimum donation requirement, however, does not apply to individuals with a tax exemption decree obtained under Act No. 22.

These changes are effective immediately and will impact the 2019 exempt annual reports that must be filed during 2020.

Please contact us for more information regarding these new requirements.

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