

Amendments to Act 22 Promoting Relocation of Investors to Puerto Rico Approved by Puerto Rico's Legislature **\$5,000 Annual Contribution to Non-Profits and Other Requirements**

Puerto Rico's Legislature recently approved SB 369, to amend the requirements to receive the tax benefits afforded by Act 22-2012 (Act 22).

Under Act 22, individuals who relocate their residence to Puerto Rico will benefit from a **complete exemption from the payment of taxes on their passive income derived from investments**. Act 22 also offers covered individuals a preferential tax rate of 5% for any capital gains accrued before becoming a resident of Puerto Rico, but recognized at least ten (10) years after becoming a resident of Puerto Rico. **All capital gains accrued while being a resident of Puerto Rico receive a 100% tax exemption.** To be considered a resident of Puerto Rico under Act 22, essentially a person has to live on the Island for at least 183 days out of the year. To receive the benefits of the law, the person relocating to Puerto Rico may not have been a resident of Puerto Rico during the previous six (6) years. Eligible individuals should be able to benefit from Act 22 until December 31st of 2035.

If signed into law by the Governor of Puerto Rico, SB 369 would require individuals who benefit from Act 22 to file an annual report with evidence of compliance with the conditions established in their decree, and evidence of having donated annually \$5,000 to exempt non-profit entities that operate in Puerto Rico. The bill also eliminates the requirement of a Certification of Compliance with the law, and instead, the holder of a tax grant must accompany his or her first annual report with evidence of filing U.S. Internal Revenue Service (IRS) Form 8898, notifying the IRS that the grantee became a bona fide resident of Puerto Rico; or its equivalent if the person was not a U.S. resident before relocating to Puerto Rico.



The bill also changes the frequency of compliance audits made by the Puerto Rico Exemption Office to Act 22 individuals from once a year to once every two (2) years. This bill, as well as previous amendments to Act 22, such as the one that eliminates the requirement to purchase a residential property in Puerto Rico, should continue to make the law more attractive to individuals looking to benefit from Act 22's tax advantages.

Vidal, Nieves & Bauzá is a corporate law firm with a special emphasis in corporate, transactional, insurance and infrastructure practices.

Pedro I. Vidal-Cordero
pvidal@vnblegal.com • 787.413.8883

Pedro J. Nieves-Miranda
pnieves@vnblegal.com • 787.413.8881

Arline V. Bauzá-Figueroa
abauza@vnblegal.com • 787.413.8884

Cristina E. Moscoso-D'Abate
cmoscoso@vnblegal.com • 787.625.0882

Joserrrolando Emmanuelli
jemmanuelli@vnblegal.com • 787.413.8880

Vidal, Nieves & Bauzá
info@vnblegal.com

T. +1 787.413.8880
F. +1 787.625.0889

P.O. Box 366219 San Juan, Puerto Rico 00936-6219
B7 Tabonuco Street, Suite 1108, Guaynabo, Puerto Rico 00968

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