

Everyday there is more evidence that points to Puerto Rico as a premier investment destination. The implementation of structural reforms, economic programs and incentives have positioned Puerto Rico as one of the most competitive jurisdictions in the world. The time to invest, work, live and play in Puerto Rico is now. Below are the top ten reasons to invest in Puerto Rico.

#1 STRATEGIC LOCATION >>

- Puerto Rico is strategically located between the Caribbean Sea and Atlantic Ocean, midway between North and South America, making it the perfect bridge between both continents
- 2.5 hour direct flight from Miami, 3.5 hour direct flight from New York, direct international flights to Caracas, Madrid, Frankfurt, London and Panama City

#2 PRO-BUSINESS TAX CLIMATE >>

- Puerto Rico offers the benefits of operating within a U.S. jurisdiction while providing the tax benefits of a foreign tax structure
- Puerto Rico's maximum corporate taxes have been reduced to 30% with a further reduction to 25% in 2014
- Strategic industries in manufacturing activities and services as well as in export services enjoy a 4% fixed income tax rate; Pioneer activities receive a preferential tax rate of 0%-1%

#3 AGGRESSIVE INCENTIVES >>

- Several incentives acts have been approved to stimulate economic development and attract Foreign Direct Investment (FDI) in the following sectors: manufacturing, tourism, export services, insurance, financial services, agriculture, hospitality and hotel development and renewable energy
- Ranked among the top 15 FTZs in the U.S. – National Association of Foreign Trade Zones report (2011)

#4 LEGAL SYSTEM AND POLITICAL STABILITY >>

- Puerto Rico is part of U.S. free trade zones and customs system
- Puerto Rico's banking system is regulated under U.S. laws (FDIC)
- Puerto Rico is under the protection of the Homeland Security Act
- Puerto Rico is under the U.S. legal framework and intellectual property protection
- Access to federal programs and funds

#5 STRONG BUSINESS ECOSYSTEM >>

- The official languages are English and Spanish
- No Passport is required for U.S. Citizens
- The U.S. Dollar is the official currency
- Full presence of international banks
- Sophisticated logistics capabilities and major couriers including UPS, FedEx, Crowley and Horizon
- Key suppliers provide support to life science, electronics, technology among others

#6 WORLD-CLASS INFRASTRUCTURE >>

- 24,000 miles of highways and a mass-transit system recognized by the U.S. Federal Transit Administration as the safest and most efficient in the U.S.
- Busiest airport in the Caribbean and state-of-the-art port facilities including the 8th busiest port in the U.S.
- Most technologically advanced convention center in the Caribbean and Latin America
- Island-wide broadband service, under sea fiber optic cable and a robust satellite system to stay well-connected

#7 GLOBAL COMPETITIVENESS >>

- The World Economic Forum's (WEF) 2011-2012 Competitiveness Report ranked Puerto Rico 35/142 countries in the world; the 6 notch improvement was the largest among the top 35 positions
- The WEF's Global Information Technology ranked Puerto Rico 43 out of 138 countries

#8 LOW COST OF DOING BUSINESS >>

- San Juan has the lowest cost of doing business among the largest cities in the U.S. – Guide to International Business Location, Competitive Alternatives 2008 Edition, KPMG
- Lowest labor costs of any region under U.S. jurisdiction
- Hourly earnings in manufacturing average 65% to 80% of the U.S average

#9 SKILLED WORKFORCE >>

- Highly educated, productive and bilingual workforce
- The University of Puerto Rico at Mayagüez (UPRM), the premier engineering and science institution of the Caribbean and Latin America, ranks 1st in graduating Hispanic engineers and 2nd in graduating female engineers

#10 SUPERIOR LIFESTYLE >>

- Average year-round temperature is 82°F (28°C)
- San Juan's quality of life and visitor experience ranked as the third best among 35 top U.S. cities and ahead of Miami, NYC, Los Angeles, San Diego and Honolulu - Travel & Leisure Magazine's 2011
- Most attractive people and best food, drinks and restaurants – Travel & Leisure Magazine's 2011 America's Favorite Cities Survey
- Culebra Island ranked among the 25 best secret islands on earth – Travel & Leisure Magazine, May 2010
- Over 23 golf courses designed by the likes of Robert Trent Jones, Greg Norman and Tom Kite

INCENTIVES

MANUFACTURING AND EXPORT SERVICES

- 4% income tax on industrial development income
- 0% to 1% tax rate on income for pioneer or novel products manufactured in PR
- Up to 50% tax credit on purchases of products manufactured or recycled locally
- Up to \$5,000 for each job created during 1st year

RENEWABLE ENERGY (GREEN ENERGY FUND)

- Rebates of up to 60% of eligible costs for Tier 1 (0-100 kW) and up to 50% for Tier 2 (101 KW-1MW)
- 60% refund on acquisition and installation costs incurred during the installation of renewable energy equipment for residential properties and small businesses (50% for other businesses)

INTERNATIONAL BANKING ENTITIES (IBES)

- 0% income tax
- 0% on dividends or other distributions of profits on income over \$250 thousand
- 0% distributions in liquidation

FOREIGN TRADE ZONES (FTZ)

- Largest non-contiguous FTZ system in the U.S.
- Deferment of federal customs duties
- Deferment of Puerto Rico excise taxes
- 100% exemption on exports from the zone

FILM AND CREATIVE SERVICES

- 40% tax credit on all payments to PR residents
- 20% tax credit on all payments to Non-Resident Talent (including stunt doubles)
- 25% tax credit on development or expansion costs of studios, laboratories, facilities for the international transmission of television images or other media and related infrastructure

TOURISM AND HOSPITALITY

- Facilitates the establishment of tourism related projects on the island
- Tax credit of 10% of the total project cost
- 100% exemption on municipal construction excise tax, taxes on imported goods and sales tax
- 100% exemption on municipal licenses
- 90% exemption on income tax and property tax

AGRICULTURE

- 100% exemption on taxes for agricultural equipment
- 100% exemption on property taxes (land, buildings, vehicles, etc.)
- 100% exemption on municipal taxes
- 100% exemption on stamp payments to PR's

HOUSING INCENTIVES FOR NEW HOMES

- 0 charges for stamps and vouchers to the buyer
- 0 taxes on property during 5 years
- 0% taxes on capital gains earned in selling of existing residential and commercial properties
- 100% exemption on future capital gains tax for sellers who purchased new property during incentives window

IMPORTANT REFORMS

TAX REFORM - ACT 1 OF 2011 >>

- Alleviates the tax burden on corporations and individuals, reinforces tax compliance, stimulates economic development and job creation and simplifies the tax system
- Maximum corporate tax rate has been reduced from 41% to 30% with a further reduction to 25% after 2014
- Average effective tax rate for individuals will be reduced by year 2016 to a maximum of 30%

PERMITS REFORM - ACT 161 OF 2009 >>

- The permits request and approval process has been dramatically simplified
- The permits request process can now be completed through one agency (previously 24)
- Private sector professionals can now approve permits, reducing government bureaucracy
- 80% of permits and 90% of the total volume of permits requested are now available online

ENERGY REFORM - ACTS 82 & 83 OF 2011 >>

- The acts were enacted to help the island meet its target of 15% renewable energy production by 2020 and 20% by 2035
- \$290 MM will be invested in renewable energy projects over the next 10 years through the Green

ENERGY FUND (GEF) >>

- A Renewable Portfolio Standard (RPS) requires the island's retail energy providers to produce or purchase a specified percentage of their electricity from renewable energy sources
- Natural gas will make up approximately 72% of fuel mix by 2012 from a current 14%

REORGANIZATION AND MODERNIZATION OF EXECUTIVE

BRANCH - ACT 182 OF 2009 >>

- Positions the government and its different agencies as a facilitator of social and economic development on the island
- Reduces government bureaucracy and operational costs while increasing efficiency for services provided to citizens
- Currently, over 50 basic services, such as payment of electric and water bills and copies of birth certificates are offered online via www.pr.gov

PUERTO RICO AT A GLANCE

- Population: **3,726,000**
- Gross Domestic Product (GDP): **\$96.3 B**
- Gross State Product (GSP): **\$63.3 B**
- GDP per Capita: **\$24,229**
- GSP per Capita: **\$15,930**
- Exports: **\$68.6 B**
- Imports: **\$41.4 B**
- Retail Sales: **\$34.9 B**
- **11 of the top 20** prescription drugs sold in the US are manufactured in Puerto Rico

Note: Figures provided are as of 12/31/2010

Source: Puerto Rico Planning Board, U.S. Census Bureau