



Puerto Rico Business Playbook

Creative Industries

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Why Choose Puerto Rico

Puerto Rico's culture supports a vibrant creative industries economy. While the island is most recognized internationally for contributions to music in genres such as Salsa, Pop and Reggaeton, with artists like Gilberto Santa Rosa, El Gran Combo, Ricky Martin, Chayanne, Luis Fonsi, Daddy Yankee, and Bad Bunny, among many others, the island's creative talents are prolific in diverse artistic forms, including classic and modern art, literature, fashion design, photography, dance, film and theater production, media, web, and software design, artisanry, and more. Puerto Rico's rich history and unique culture combine Taino native, Spanish, African and American (U.S.A.) influences, providing depth to the creative spirit and resilient nature of Boricuas. Creative industries contribute to the larger local talent pool, particularly in the knowledge services for design, architecture, planning, and other aspects of business development.

Art is a part of everyday life in Puerto Rico and anywhere you go you are likely to encounter beautiful and creative expressions like street murals, live music, craft displays, etc. Our arts and cultural economies are showcased annually in the multi-day San Sebastian Street festival in Old San Juan, at the Fiestón Cultural, and at annual festivals hosted across the island's 78 municipalities. There is a general appreciation for the orange economy among the population, making it an ideal place for talents to focus their skills, get inspired, and flourish. The island offers a unique mix of Latin, Caribbean, and U.S. cultures, with the benefits of being a self-governing U.S. territory, with intellectual property protection and a U.S. legal framework.

The creative industries act as an economic representation of culture, showcasing Puerto Rico's high quality of life internally and abroad. The global impact of Puerto Rican music provides an insight into what our creative industries can achieve, as well as the cultural and business opportunities the island offers.

In film, key aspects for productions looking at Puerto Rico include the availability of great and diverse locations in short proximity, ethnic diversity among the local population, skilled and experienced bilingual and bicultural crews, a variety of production vendors including equipment providers, sound-stages and warehouses for filming on sets, non-SAG extras and stand-ins, facilities for post-production, animation and sound recording; overnight dailies, daily flights to most major cities, and more.

About this document

This document serves as a guide to Creative Industry activities in Puerto Rico. It contains an overview of the activities that qualify for special incentives from the Government of Puerto Rico under the [Puerto Rico Incentives Code, Act 60-2019](#) and provides a brief look at the agencies that award these incentives, and the processes to request them. It is key to note that once granted, the incentives may be made retroactive to the filing date of the application.

We're here to help

Invest Puerto Rico is the official nonprofit, private company tasked with attracting business and capital investment to Puerto Rico. Our team includes experts in Marketing, Research and Strategy, and Business Development, and we offer concierge services free of charge to companies and investors setting up operations on the island. From basic orientation and connections to local stakeholders, to finding real estate, talent, service providers, and navigating the incentive application process, we are here to assist you every step of the way.



Let's Get Started!



Overview

Act 60-2019 captures most of Puerto Rico's tax incentive laws under one code, establishing an efficient process for granting and leveraging the benefits in your favor. Chapter 3 of the Act mentions Creative Industries among the eligible services that can benefit from special tax treatment when they are exported from Puerto Rico to clients outside of the island; this includes the sale of tickets outside of Puerto Rico or to tourists, as well as the income related to the transmission or sale of rights of a recording for audiences outside Puerto Rico, of shows and musical productions, eSports events and Fantasy Leagues that take place on the island.

Chapter 9 of the Act is dedicated exclusively to Creative Industries and defines them as companies that register in the Registry of Creative Industries and have potential for job creation and economic development, mainly through the export of goods and creative services in the following sectors: Design (graphic, industrial, fashion and interiors); Arts (music, visual and performing arts, and publishing); Media (application development,

video games, online media, digital content and multimedia); and Creative Services (architecture and creative education.) Creative Groups are defined as networks and associations that are created between companies or creative industries to stimulate common activities, links between them or achieve scalable economies. Companies are added to the Register of Creative Industries when they file an application for incentives in the **Incentives Portal**.

Incentives under Act 60 are overseen and managed by the **Department of Economic Development and Commerce** (DEDC) through their **Incentives Office**, where applications for incentives are received and evaluated, then sent to the Secretary of the DEDC for final approval. Tax exemption decrees are contracts with the Puerto Rico Government. You can apply for permits on the **SBP** and incentives on the **Incentives Portal**. As an exception due to the rapid pace of the film industry, in the case of film productions, the **Puerto Rico Film Commission** is the division within the DEDC tasked with managing the **Film Industry Development Program** and

evaluating tax incentive applications to streamline the approval process so that production companies know within three or four weeks if they qualify for the tax credits available to this sector of the creative industries.

The island is especially appealing for film productions because it offers the benefits and protections available on the U.S. mainland, including applicability of U.S. workforce, safety and minimum wage laws, U.S. intellectual property and banking protections, and U.S. dollar currency. No U.S. passport is required to travel to Puerto Rico by United States citizens. Foreign nationals will be subject to the same immigration requirements imposed for entry into the continental United States by U.S. Customs and Border Protection agencies. In terms of weather and climate, there is little variation between the seasons and the climate averages 83°F.

Incentives under Act 60 for businesses engaged in Creative Industries that receive a tax exemption decree:

1. Preferential tax rates

- A. 4% Fixed corporate income tax rate
- B. 100% Exemption on dividends and distributions
- C. 75% Property Tax Exemption (applies to real or personal property)
- D. 75% Exemption on Construction Taxes
- E. 50% Exemption on Municipal Taxes*
- F. 50% Municipal Patent Exemption*

*Per Act 83-1991, municipal governments may offer greater or total exemption to companies or creative groups that are certified/registered in the Registry of Creative Industries (companies that have applied for exemption under Act 60-2019.)

2. Tax credits – only available for qualifying film projects

- A. Production incentives in the form of transferable tax credits equal to the sum of:
 - I. Up to 40% of payments to residents of Puerto Rico;
 - II. 20% of payments to non-residents (compensation paid to non-residents or their loan outs is subject to a special 20% withholding as detailed below);
 - III. 15% of payments to residents of Puerto Rico, when a local producer of a feature film, series or documentary controls the intellectual property of the project, is responsible for its financing and production, and is entitled to 30% or more of the producers' net profit, and either the director, cinematographer, editor, production designer, post-production supervisor, or the line producer is a resident of Puerto Rico.
- B. Projects are required to hire a CPA to perform an Agreed Upon Procedures audit. The auditor may submit an interim report and 50% of the expected tax credits may be confirmed, when 50% of the budget has been disbursed.
- C. Tax credits sell for an average of 90% of face value, depending on:
 - I. Demand and supply
 - II. Taxable year of the credit
 - III. Moment in the taxable year the tax credit is being sold
 - IV. Amount of tax credit to be sold
- D. Tax credits can be used 50% in the year in which the eligible activity begins and 50% in subsequent years, including in tax returns under a valid extension.
- E. Tax credits can be used against 100% of a person's tax liability.
- F. There is no recapture against bona fide buyers.

3. Cash grants – only for feature film projects where 80% of the production expenses are to Puerto Rico residents

- A. Up to 25% of the total cost of a film project or \$125,000.00, whichever is less.
- B. Receiving a cash grant will not limit the film project from obtaining the tax credit or other benefits.

Puerto Rico production tax credits are available on a per-project basis and can be granted to any person or entity authorized to do business in Puerto Rico that is engaged in a film project in Puerto Rico. Applying for both the 40% tax credit for payments to Puerto Rico residents and the 20% tax credit for payments to qualified nonresident individuals is part of one unified process. You must file the application with the Puerto Rico Film Commission before end of principal photography (or post-production, in the case of stand-alone post-production) through the [Incentives Portal](#). Eligible expenses will only be considered for purposes of calculating the corresponding tax credit 60 days before the date the application is duly filed. Notwithstanding this general rule, you may contact the Puerto Rico Film Commission in advance to express intent to file an application and request information regarding the tax credits program.

Development expenses will be evaluated by the Puerto Rico Film Commission on a case-by-case basis to determine their eligibility. You must pay a mandatory filing fee of 1% of your Puerto Rico estimated budget, up to a maximum amount of \$250,000. The filing fee must be paid in two installments. The first 50% of the filing fee must be paid once your application has been approved (not at the time of filing), at which time you receive a copy of the film tax decree, the contract between you and the Government of Puerto Rico, confirming the production tax credits reserved

and tax benefits granted to the applicable film project. The balance payment will be paid once the audit report has been completed and the Film Commissioner has confirmed that the applicable tax credits have become available. The Puerto Rico Film Commission will provide instructions on how and where to pay the filing fee, as well as how to accept the grant.

All productions are expected to present an audit report that meets the parameters in [Circular Letter 2021-005](#) to obtain production tax credits under the program. [Circular Letter 2021-005](#) also details which production expenses qualify for the tax credits. There are no individual, project, or annual caps on expenses; however, there is an annual rolling cap of \$38 million on credits for payments to Puerto Rico residents and nonresidents. The film industry is currently lobbying to increase this cap.



Under Act 60, film projects are eligible Creative Industry activities, provided that:

1. The production or post-production is carried out in whole or in part in Puerto Rico.
2. The project is intended for airing, commercial distribution, or exhibition to the general public outside of Puerto Rico by any means and media; in the case of feature films, short films or documentaries, they may be intended for airing, commercial distribution or exhibition to the general public in Puerto Rico.
3. That Puerto Rico production expenditures are at least \$50,000.00; in the case of short films and documentaries, Puerto Rico production expenditures must be at least \$25,000.00.

Film projects are defined as:

- Feature films & Short films.
- Documentaries.
- Television series, miniseries, and television programs, including pilot episodes and those produced for digital distribution, when the airing, distribution, or exhibition outside of Puerto Rico is not incidental or minimal.
- Commercials and commercial campaigns broadcast outside of Puerto Rico; in the case of campaign advertisements, all must be included under a single contract or purchase order with aggregate Puerto Rico production expenditures of at least \$100,000.00, which individually meet the requirements established in Chapter 9 of Act 60 and any other requirement prescribed by the Secretary of the DEDC in the Incentives Regulations or circular letter.
- Video games.
- Television programs, including but not limited to reality shows, talk shows, news programs, game shows as well as entertainment, comedy, and children's programs and variety shows.
- The post-production of one or several film

projects listed above; provided, that all film projects are included under a single contract or purchase order with aggregate Puerto Rico production expenditures of at least \$100,000.00, which individually meet other requirements established in this Code, and any other requirement prescribed by the Secretary of the DEDC in the Incentives Regulations or circular letter.

- Film festivals.
- Music videos.

For purposes of incentives, film projects **do not** include religious or political advertising, pornographic material, radio programs, productions whose primary purpose is raising funds, and productions for employee training or in-house corporate advertising, among others.

Incentives are also available to strategic suppliers like studio operators or post-production studios that render the necessary services to satisfy the commercial needs of film projects; and to infrastructure projects that include the development or substantial expansion in Puerto Rico of studios, laboratories, facilities for the international transmission of television images or other media, or other permanent facilities to carry out film projects, whose hard costs budget, as certified by an auditor, exceeds \$500,000.00.

Act 60 also provides for preferential tax treatment to Creative Industries Development Districts, which are described as parcels of land, real property or properties that can be designated by the Secretary of the DEDC to be devoted to the development, construction, and operation of studios and other related developments. The Secretary of the DEDC may enter into agreements for the development and operation of such Districts with any person and may impose any conditions he or she deems consistent with furthering the purpose of the Act.

Qualifying entities that get certified as Creative Industries or Creative Groups are not precluded from benefiting from incentives under [Act 62-2014](#), “Law to Support Microenterprises and Small and Medium Businesses.” Act 62 defines a microenterprise as a business or company that generates a gross income of less than \$500,000.00 per year and has seven employees or less; a small merchant as business or company that generates a gross income of less than \$3,000,000.00 each year and that has 25 employees or less; and a medium merchant as a business or company that generates a gross income of less than \$10,000,000.00 each year and has 50 employees or less. Act 62 provides that the Government of Puerto Rico must make at least 20% of their purchases from SMEs; click [here](#) to learn how to get certified as an SME for these purposes. Act 62 also offers expedited permitting processes with the [Permit Management Office](#) (OGPE) or the corresponding autonomous municipality, and special lease prices of \$1 on certain properties owned by the [Puerto Rico Industrial Development](#)

[Company](#) (PRIDCO) and the [Trade and Export Company](#). Additional incentives for new or existing Creative Industry companies may be accessible through the [Trade and Export Company](#), depending on availability of funds and specific programmatic efforts.

Exemption period:

- The tax benefits will be effective on the date established in the decree or grant.
- Decrees for exporting creative industry services will be valid for 15 years and can be renegotiated for an additional 15.
- Decrees issued for film projects can be effective prior to the filing of the decree application, and the effective term will be equal to the life of the project, including its exploitation.
- Decrees issued to studio operators will be valid for 15 years



Next Steps



Step 1: Get Started

Contact Invest Puerto Rico

Invest Puerto Rico is making significant strides in bolstering the island's role as a leading hub of the knowledge economy by bringing together the brightest minds from the private, academia, and public sectors. We encourage you to start by contacting the Business Development team at Invest Puerto Rico. Our role is to help you and your company access the right resources, in an expedited manner, to establish your commercial and industrial operations on the island. We will learn your needs and liaise you with the people, agencies, providers, and resources to start this journey on the right track. Our role is to help companies and investors create jobs and capital investment on the island, and our services are free of charge to you and your company. From navigating the incentives process to finding the ideal real estate, workforce, and local partners, we've got you covered.

Engage Service Providers

Request a Service Providers list from Invest Puerto Rico to select your local experts in matters including legal, tax, real estate, workforce, associations,

Internet companies, etc. While Invest Puerto Rico cannot recommend a specific partner, we can assure you that providers on our list are experts in their field and we will help you make the initial connections to them or any other provider in Puerto Rico that can assist you and your business while getting established locally. Even if your company has a great legal and tax team, our recommendation is you get the advice of a local provider or firm, to be sure you structure your company the correct way, get all the necessary local permits and licenses, and maximize your benefits under the Puerto Rico Incentives Code.

Liaise with Stakeholders

Puerto Rico is known for the warmth of our people, so don't be shy and tap into our people power for more than just the right workforce. The island has many groups and associations that bring together brilliant minds, key stakeholders, doers, makers, and a wealth of knowledge you can tap into to advance your creative business in Puerto Rico. Relationships are important, and

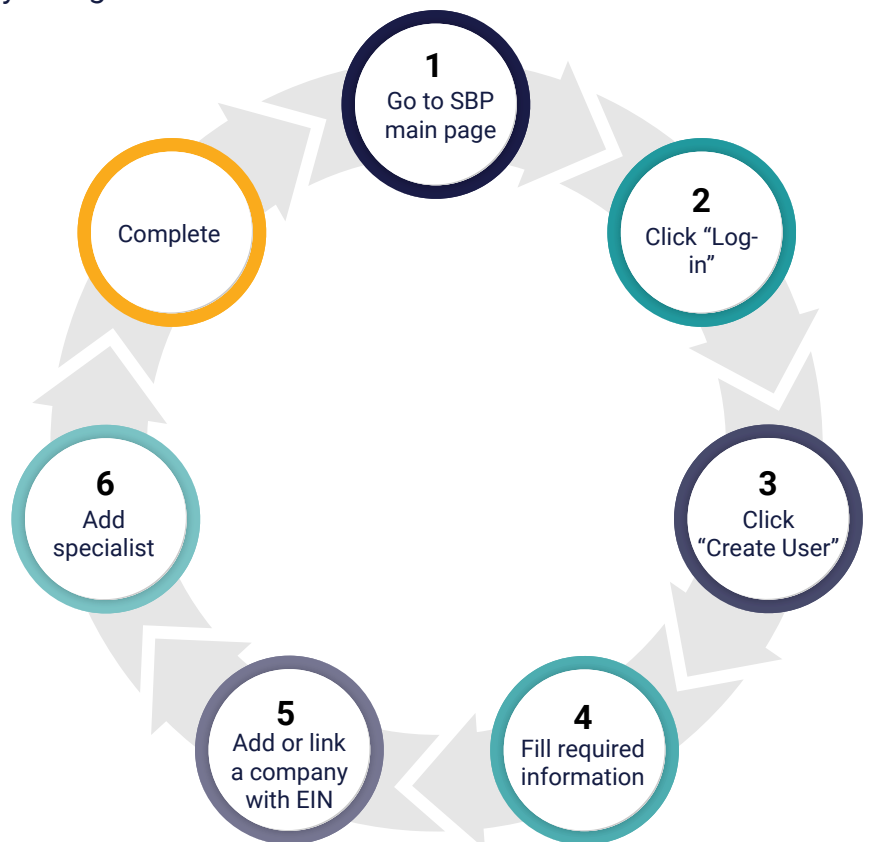
Invest Puerto Rico is here to help you create them. Some key organizations you may want to reach out to are the [Creative Economy Center](#), the [Puerto Rican Culture Institute](#), the [Puerto Rico Creative Industry Cluster](#), [Inversión Cultural](#), and [Emprendimiento Creativo](#), among others. Our team can recommend groups and associations and we can also facilitate connections to others you may want to engage with. Wherever possible, we recommend you work with local suppliers and providers, to have a larger and more impactful economic effect on the island through your business.

After you have all the right information and have decided on the adequate structure for your business, you'll need to register your business on the island, be sure to meet industry-specific requirements, identify real estate, apply for incentives, and find your workforce.

Step 2: Register Your Business

1. Register your business with the Puerto Rico Department of State. You can do this online [here](#) and will need to pay the applicable fee with a credit card.
2. For tax purposes, if your business does not already have and EIN from the US Internal Revenue Service (IRS) please request one by filling out Form SS-4, available [here](#).
3. For tax purposes, please register EIN with the Puerto Rico Department of Treasury by filling out Form SC-4809, available [here](#).
4. Register in the Merchant Registration of the Treasury Department [here](#). This is akin to a seller's permit in the United States mainland.
5. Employers are required to register with the Department of Labor and Human Resources [here](#) and with the State Insurance Fund Corporation [here](#).
6. All businesses of all industry sectors must obtain a use permit and other basic licenses that may apply, such as a sanitary license, fire prevention certificate, construction permits, and others, available at the [Single Business Portal](#) (SBP).
 - A. Access the SBP and log in to create your unique profile from which to request the Single Permit and others that may apply.

Registration Steps





Step 3: Real Estate

Need a large building or a smaller Class-A office complex? Do you want to lease or buy a space? The latest technology, machinery, innovation, and expertly skilled talent... all of these are available to you in Puerto Rico. Our Business Development team will assess your real estate needs and, through our network of partners, identify potential sites for your Financial and Insurance activities. We will present options to you and coordinate conversations and site inspections, as well as facilitate access to details regarding permits, licenses, and other key components.



Step 4: Apply for Incentives

1. Request a Merchant’s Registration Certificate from the Puerto Rico Department of Treasury’s electronic unified system, [SURI](#), at least 30 days prior to commencing operations. This certificate will confirm if the merchant is considered a withholding agent.
 - A. Within 30 days after the issue date of the Merchant’s Registration Certificate, register for the IVU Loto oversight program by calling 787-200-7900, option number 4. The results from the questionnaire will determine if your business is eligible for the installation and use of an IVU fiscal terminal (for purposes of sales and use tax).
2. Login to the [Incentives Portal](#) to begin the Act 60 application process.
 - A. Click here to access the [Portal](#).
 - B. Create a unique profile by following the steps detailed in Step 2, above.
 - I. The unique profile is a digital tool that, through your Social Security Number, federal identifier and/or Employer Identifier Number, will allow you to create an exclusive profile for your permitting and incentive applications in Puerto Rico.
 - C. After completing and submitting the application, you will need to pay a \$750.00 filing fee* for processing. Once the application has been duly reviewed and approved by the concerning agencies, an

REQUIREMENTS	
 Individual	 Corporation
<ul style="list-style-type: none">• User name / email• Full Name• Date of Birth• Gender• Civil Status• Phone• Address• City• State• Zip Code• Social Security Number	<ul style="list-style-type: none">• Employer ID Number• Company Legal Name• Relationship with the Corporation• Address• City• State• Zip Code• Mailing Address• Classification• Additional Email• Phone

acceptance fee* of \$50.00 will be required to receive the tax exemption decree (contract between the Government of Puerto Rico and the entity that is granted the exemption).

- D. Tax incentive grants incur an obligation to present Annual Reports to the Office of Incentives. The filing of said Annual Reports will also be made through the SBP and will incur a \$300.00 filing fee*.

When applying for incentives, your business must be in good standing in the eyes of the government. Required documents when applying for local incentives are:

- Negative Debt Certification issued by the Department of Treasury, available [here](#).
- Certification of 5-year tax return filings issued by the Department of Treasury, available [here](#).
- Negative Debt Certification issued by ASUME (Child Support Administration), available [here](#).
- Negative Debt Certification issued by CRIM (Municipal Revenue Collection Center), available [here](#).
- Certificate of Registration/Incorporation, available [here](#).
- Articles of incorporation.
- Corporate resolution.
- Corporation seal.
- Use Permit, available [here](#).

To request an exemption decree for film projects:

Submit your application through the [Incentives Portal](#) before the end of principal photography with the corresponding documents requested in the application for the [Puerto Rico Film Commission](#) to evaluate your project in a timely manner. Google Chrome is the best Internet browser for this online application process.

*The current regulation affects these fees and is being reviewed by the DEDC and others; these fees are not being charged now. Invest Puerto Rico will update this document when new information becomes available.

The application document requires information about the entity, budget, financing, locations, and heads of department in accordance with film industry documents. All documents must meet industry standard applications such as final draft, movie magic budgeting and movie magic scheduling, etc. The following documents must be submitted with the application:

- If the company is registered to do business in Puerto Rico:
 - Certificate and articles of organization.
 - Certification of registration to do business in Puerto Rico.
 - Corporate resolution in favor of the complying individual and/or the principal contact.
- If the company is a Puerto Rico entity:
 - Certificate and articles of organization.
 - Negative Debt Certification from the Department of Treasury for income taxes and sales and use taxes.
 - Certificate of compliance of filing income taxes for the past 5 years (if applicant has existed for less than 5 years or if during this period it did not have the obligation to file income taxes, it must supplement the difference with certifications from its partners, members, or shareholders).
 - Debt Certificate from the Municipal Revenue Collection (CRIM).
 - Copy of Municipal License or Certification of Commencement of Operations.
 - Merchant's Registration Certificate (SURI).
 - Corporate resolution in favor of the complying individual and/or the principal contact.

Project documents required with the application:

- Synopsis
- Script
- Short bio of main talent
- Total itemized budget
- Total itemized Puerto Rico production expenses budget
- Total itemized qualified nonresident budget.
- Days out of days reflecting qualified nonresident workflow
- Letter from the distributor
- Distribution plan

Following an approval, the DEDC Secretary will issue the film project a decree of film tax credits. For the decree to become effective, the applicant is required to pay a mandatory filing fee equivalent of 1% of the production expenses of Puerto Rico, up to a maximum of \$250,000.

The first 50% payment of the filing fee must be presented to the DEDC Secretary within 30 working days from the date the decree was issued. The 50% of the filing fee must be presented with a duly notarized sworn statement accepting the decree. Failure to present evidence of payment and an acceptance of the decree will be interpreted as a revocation of the decree and the tax credits reserved shall be forfeited.

Film projects with a decree, must also comply with the following:

- Set visits with DEDC officials and any other government representatives which should be coordinated in good faith with the production team.
- Set photos and behind the scenes footage must be provided to the DEDC Secretary during production for promotional use.
- Screen credit requirement at the end credits of the film project.
- A copy of the film project must be made available when released, for the DEDC Secretary's promotional use.
- Joint press releases, conferences, and other press related matters are encouraged.

Following the payment and acceptance of the decree, the applicant must begin principal photography within 120 days of the issuance of the decree. This term may be extended with evidence of reasonable cause.

Following the completion of the film project, an audit report by a certified Puerto Rico public accountant must be presented to the DEDC Secretary 90 days after wrap for film projects that are not undergoing post-production in Puerto Rico. This 90-day period may be extended by reasonable cause with an



approval of the DEDC Secretary or representative. Before the presentation of the audit report, the film project must present evidence of payment of the remaining filing fee. The audit report and auditor must comply with the agreed upon procedures established by the DEDC Secretary.

The DEDC Secretary will evaluate the report and may request any information necessary for purposes of determining if the audit report complies with the code, regulation, administrative orders, circular letters, or agreed upon procedures issued by the Government of Puerto Rico or any of its agencies and representatives.

Within 30 days or less, after receiving the auditor's report, the DEDC Secretary will issue a Certification of Tax Credits based on the certification of expenses provided in the audit report subject to the maximum amount of tax credits established in the decree. This 30-day period may be interrupted if the DEDC Secretary requests additional information from the auditor.

To claim the tax credits, complete Part III of Schedule X1 in your Income Tax Return for Exempt Businesses under the Puerto Rico Incentives Programs. Learn more [here](#).

This guide does not constitute legal or tax advice on how to structure your commercial Creative Industry activities on the island. If you or your legal advisor have doubts as to whether certain business activities may qualify for incentives, you can request a meeting with the DEDC to answer any questions regarding the eligible activities your business may obtain exemptions for. You may also reach out to the Office of Incentives to receive additional information about processes on the SBP.

Step 5: Find Workforce

In addition to having a zest for life, Puerto Ricans are also known as a productive workforce that has what it takes to get the job done. Most of the population is fluent in English and Spanish, and a deep sense of biculturalism gives Puerto Ricans a greater understanding of global trends and idiosyncrasies. Puerto Rico has the lowest labor costs of any region under U.S. jurisdiction, while local employers enjoy high retention and low turnover rates.

Our Business Development team will assess your talent needs and connect with local academia, recruiters, headhunters, and employment agencies to provide you with updated information on talent availability, salary, and benefits information, etc. Where applicable, we will also provide information on the DEDC's Workforce Development Program and available funds under the Workforce Innovation and Opportunity Act (WIOA) and the United States Department of Labor's Registered Apprenticeship Program. The Invest Puerto Rico team can also help you market professional opportunities within your Puerto Rico company, to reach potential candidates.

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Contacts

