



# Investor's Guide to Puerto Rico

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InvestoHome

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## Welcome to Paradise with Purpose

### Investing in Puerto Rico Real Estate

Puerto Rico stands out as a prime destination for real estate investment, thanks to its strategic geographic position, unique fiscal advantages, and dynamic economic environment. Beyond these reasons, the island's evolving investment landscape, innovative urban renewal projects, and transformative infrastructure initiatives make it even more appealing to

*“The beauty of Puerto Rico is matched only by its potential.”*  
— InvestoHome

At InvestoHome, we bring together:

- Exclusive real estate listings in sought-after locations
- Tailored investment strategies backed by market insight
- White-glove service from discovery to closing

*“Let’s build your real estate investment portfolio – island style.”*  
– Jaime Gutierrez





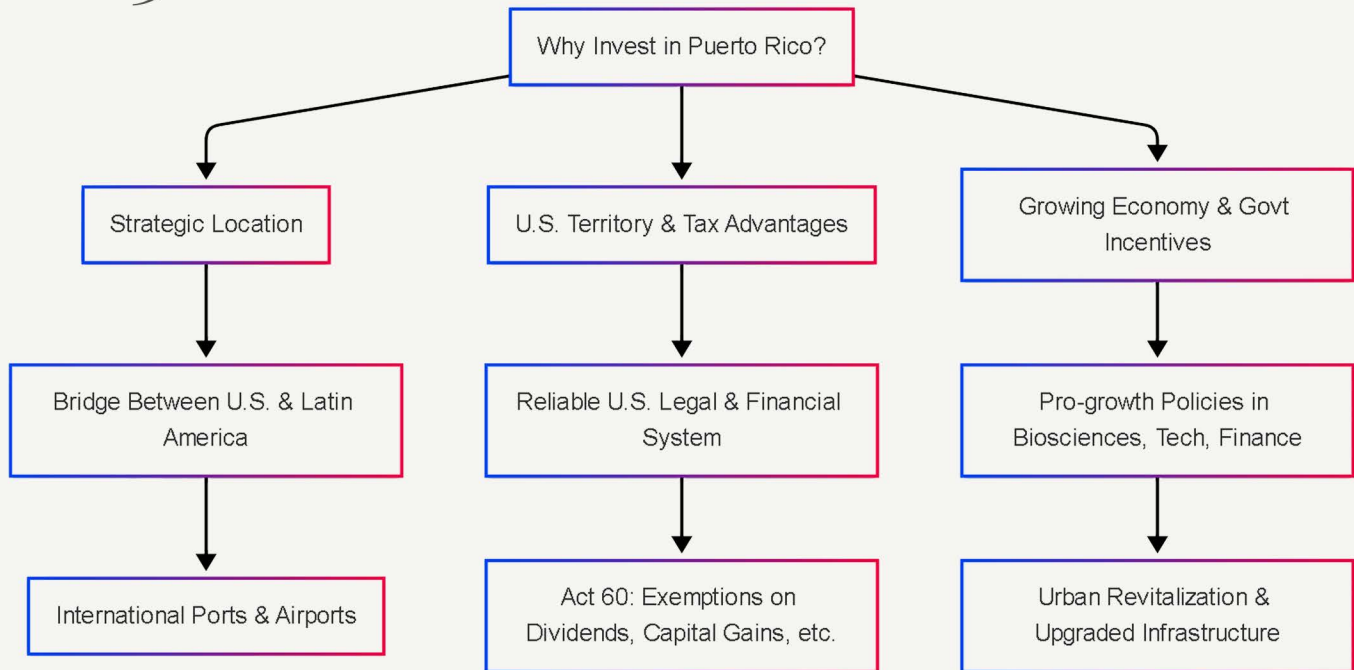
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### Why Invest in Puerto Rico?

#### Strategic Location as a Bridge Between the U.S. and Latin America

Puerto Rico's location in the Caribbean serves as a vital hub connecting North America and Latin America. Its connectivity through international ports and airports supports global business operations and amplifies its appeal for real estate investments. This strategic advantage fosters opportunities in both residential and commercial markets, catering to professionals and enterprises alike.



## Why Invest in Puerto Rico?

### U.S. Territory with Unique Tax Advantages

As a U.S. territory, Puerto Rico offers the legal and financial reliability of the U.S. system while also providing unmatched local tax incentives through Act 60. Investors benefit from exemptions on dividends, capital gains, and favorable corporate tax rates, strengthening profitability and reducing operational costs.

### Growing Economy with Government Incentives for Investors

Government-backed policies are driving economic growth and diversification, spurring activity in sectors like biosciences, technology, and finance. These measures have led to revitalized urban centers, a strengthened infrastructure, and an uptick in real estate values across the island.



## Economic and Political Landscape

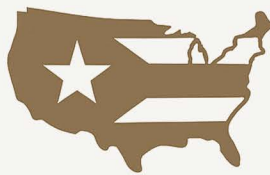
### Overview of Puerto Rico's GDP and Major Industries

Puerto Rico's economy is built on a diversified foundation that includes manufacturing, tourism, and emerging industries like pharmaceuticals and information technology. Infrastructure investments and urban regeneration projects are further stimulating growth, ensuring long-term stability for the real estate market.

*Puerto Rico uses the U.S. dollar as its official currency — so investors from the mainland U.S. don't have to worry about currency exchange, making transactions smoother and easier!*



Puerto Rico's economy is built on a diversified foundation that includes manufacturing, tourism, and information technology. Infrastructure investments and urban regeneration projects are further stimulating growth, ensuring long-term stability for the real estate market.



The island benefits from its status as a U.S. territory, offering legal stability, transparent business practices, and familiar financial systems. This alignment lowers investment risks while opening doors to transnational opportunities.



Puerto Rico's economy is marked by signs of revival, bolstered by government reforms and federal funding for infrastructure. Innovations in urban planning, such as smart city projects and sustainable designs, are elevating property values and fostering a competitive real estate market.



## Additional Aspects of Investment Trends

### Investment Climate and Real Estate Market Trends

Puerto Rico's investment climate reflects an upswing in confidence among local and international investors. Tax incentives, infrastructure upgrades, and urban renewal efforts are driving demand for luxury beachfront properties, modern urban housing, and adaptive reuse developments.

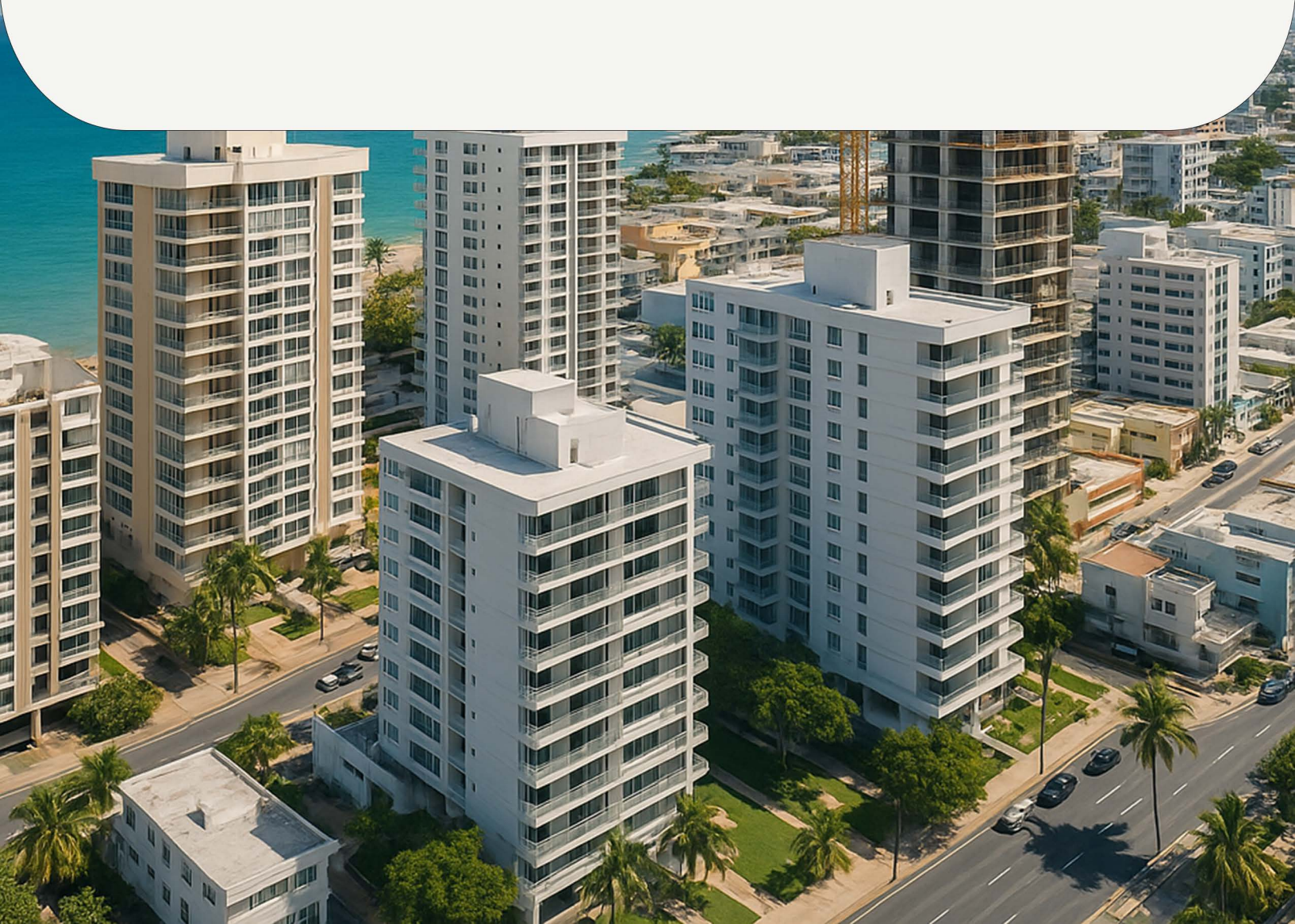
### Regional Case Studies in Urban Development

Cities like San Juan and Caguas exemplify successful urban renewal initiatives. Projects that integrate cultural preservation with modern infrastructure needs are revitalizing local economies while boosting property values. Key case studies demonstrate how mixed-use developments and public-private partnerships are transforming Puerto Rican neighborhoods.



## Infrastructure Transformation

The island's infrastructure is undergoing significant modernization, backed by federal initiatives like the *Infrastructure Investment and Jobs Act*. Upgrades to transit, roads, and water systems promise a more resilient urban landscape that supports long-term economic growth and enhances real estate opportunities.





## Legal and Tax Incentives in Puerto Rico

Puerto Rico's legal and tax framework is a cornerstone of its appeal to investors and entrepreneurs. The island's unique position as a U.S. territory with its own tax jurisdiction allows it to offer unparalleled incentives through Act 60, which consolidates and enhances previous laws (Acts 20 and 22). These incentives are designed to attract businesses, individuals, and innovators, fostering economic growth and development.

### Act 60: A Comprehensive Incentives Code

Act 60, also known as the Puerto Rico Incentives Code, is a legislative framework that consolidates various tax incentives to promote investment, innovation, and job creation. It offers benefits for both businesses and individuals, making Puerto Rico a competitive destination for global investors.

### Breakdown of Business and Individual Tax Benefits

- **Business Tax Benefits:**

Eligible businesses can enjoy a fixed corporate income tax rate of 4%, as well as a 100% exemption on dividends and profit distributions and significant reductions in property and municipal taxes.

- **Individual Tax Benefits:**

New residents under Act 60 can benefit from a 100% exemption on capital gains, interest, and dividends sourced within Puerto Rico.

### How Act 60 Attracts Investors and Entrepreneurs

Act 60's incentives are tailored to attract high-net-worth individuals, entrepreneurs, and businesses in sectors such as technology, finance, and manufacturing. By offering a low tax burden and a stable legal framework, the law creates an environment conducive to innovation and economic growth.

# 100%

**Exemption on dividends, profit distributions & interest sourced within Puerto Rico**



## Corporate Tax Benefits

Puerto Rico's corporate tax structure under Act 60 is one of the most attractive in the world, particularly for export-oriented businesses.

### Low Corporate Tax Rates and Exemptions

- A general corporate tax rate of 4% applies to eligible businesses, with even lower rates available for specific activities such as manufacturing and export services.
- Businesses can also benefit from exemptions on dividends, property taxes, and municipal taxes, significantly reducing operational costs.

### Requirements for Businesses to Qualify

To qualify for these benefits, businesses must:

- Operate in eligible sectors such as technology, consulting or manufacturing.
- Provide services to clients outside Puerto Rico.
- Apply for a Tax Exemption Grant through the Puerto Rico Office of Industrial Tax Exemption.

### Individual Tax Exemptions

Act 60 offers substantial tax benefits for individuals, particularly those relocating to Puerto Rico.

### Zero Capital Gains Tax for New Residents

New residents can enjoy a 100% exemption on capital gains, interest, and dividends sourced within Puerto Rico. This benefit is especially attractive to investors in stocks, securities, and cryptocurrencies.

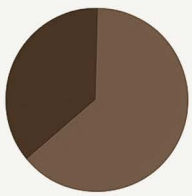




## Requirements for Tax Benefits

To qualify, individuals must:

- Establish bona fide residency in Puerto Rico.
- Ensure that their income is sourced within Puerto Rico.
- Comply with all local and federal tax regulations.



### GDP and Major Industries



Manufacturing, Tourism  
Pharmaceuticals, Technology



### Relationship with the U.S.

Legal and financial alignment



### Current Economic Trends and Future Outlook

Infrastructure investment,  
urban development

## Residency Requirements

Establishing residency in Puerto Rico is a critical step for individuals and businesses looking to benefit from Act 60.

### Steps to Establish Residency

- Spend at least 183 days in Puerto Rico during the tax year.
- Demonstrate a closer connection to Puerto Rico than to any other location.
- Maintain a primary residence and personal ties on the island.

## 183-Day Rule and Compliance Considerations

The 183-day rule is a key criterion for residency. Individuals must also pass the "presence test," "tax home test," and "closer connection test" to be considered bona fide residents.

Compliance requires meticulous record keeping and adherence to IRS guidelines.



## Real Estate Investment Opportunities in Puerto Rico

Puerto Rico offers a diverse range of real estate investment opportunities, catering to both seasoned investors and newcomers. From commercial and residential properties to luxury resorts and short-term rentals, the island's unique economic and legal framework creates a fertile ground for profitable ventures.

### Luxury and Resort Properties

#### High-Demand Areas for Luxury Property Investments

Puerto Rico's luxury real estate market is thriving, particularly in areas like Dorado Beach, Río Grande, and Vieques. These locations are known for their upscale beachfront villas, resort-style amenities, and proximity to golf courses and spas. High-net-worth individuals are drawn to these properties for their exclusivity and potential for appreciation.



## Opportunity Zones and Special Economic Incentives

### Tax Benefits for Investing in Designated Opportunity Zones

Approximately 98% of Puerto Rico is designated as an Opportunity Zone, offering significant tax advantages to investors. Benefits include deferral of capital gains taxes and potential elimination of taxes on gains from Opportunity Zone investments held for at least ten years. These incentives are designed to stimulate economic development in underserved areas.

### Title and Ownership Considerations

#### Legal Framework for Property Ownership in Puerto Rico

Puerto Rico's property laws are governed by its Civil Code, which outlines rights and obligations related to real estate ownership. Key considerations include title verification, deed documentation, and compliance with public registry requirements.

#### Importance of Due Diligence Before Purchasing Real Estate

Conducting thorough due diligence is essential to avoid legal complications. This includes verifying clear title, addressing encumbrances, and ensuring compliance with zoning regulations.



## Tourism and Hospitality Sector

### Growth of the Tourism Industry

Puerto Rico's tourism industry has experienced unprecedented growth, with record-breaking visitor arrivals and increased demand for accommodations. Government initiatives, such as the "Live Boricua" campaign, have further boosted the sector

### Hotel and Short-Term Rental Investments

Short-term rentals, including Airbnb and VRBO properties, are highly profitable due to the island's year-round appeal. Popular areas for these investments include San Juan, Rincón, and Vieques.

### Licensing and Regulations for Airbnb and VRBO

Operating short-term rentals in Puerto Rico requires compliance with local regulations, including obtaining a Merchant Registration Certificate, Use Permit, and registration with the Puerto Rico Tourism Company. Hosts must also adhere to taxation requirements, such as retaining the 7% occupancy tax.





## Commercial vs. Residential Real Estate

*In areas like Cabo Rojo, our clients see 10–14% annual rental ROI through short-term vacation properties.*

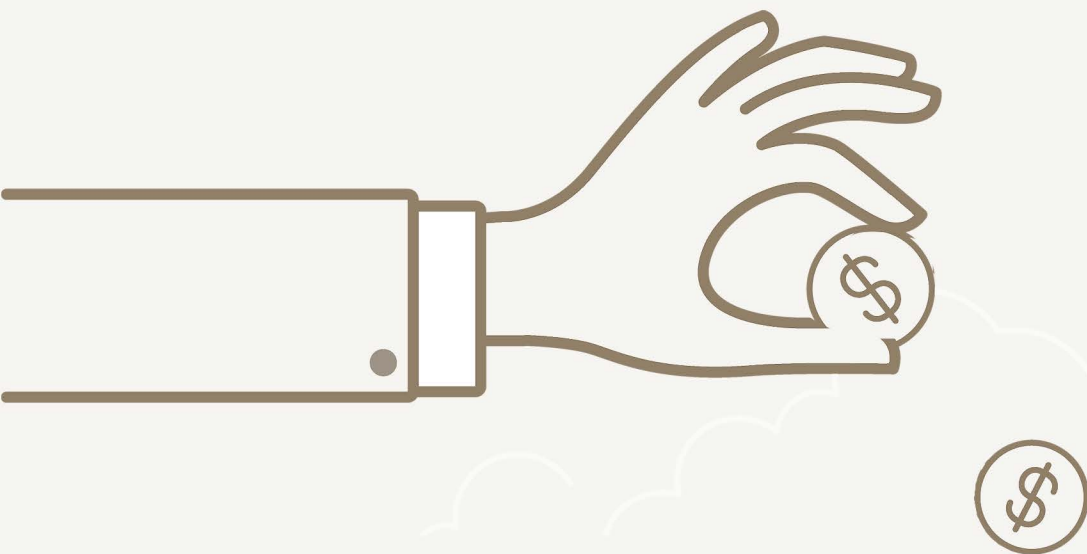
### Benefits and Risks of Investing in Each Sector

#### Commercial Real Estate:

Investing in commercial properties, such as office spaces, retail centers, and industrial facilities, offers higher income potential and longer lease terms. However, it requires significant upfront capital and may be subject to market fluctuations tied to economic conditions.

#### Residential Real Estate:

Residential properties, including single-family homes and multi-unit apartments, provide steady rental income and are generally less volatile. They are ideal for investors seeking lower-risk options, though tenant turnover and maintenance costs can be challenging.



## Technology and Innovation Sector

### Puerto Rico as a Tech Hub

Puerto Rico is rapidly emerging as a prominent tech hub, driven by a vibrant startup ecosystem and a growing community of entrepreneurs. The island's strategic location, bilingual workforce, and attractive tax incentives make it an ideal destination for tech companies and innovators. Recent initiatives, such as the designation of the PRBio Tech Hub in San Juan, have positioned Puerto Rico as a global leader in biotechnology and medical device innovation. The island's commitment to fostering innovation is further supported by investments in infrastructure, including high-speed internet and co-working spaces.





## Technology and Innovation Sector

### Incentives for Startups and Tech Companies

Puerto Rico offers a range of incentives to attract startups and tech companies:

- **Tax Benefits:** A fixed income tax rate of 4% for companies exporting services and a 50% tax credit for research and development costs.
- **Government Grants:** Programs like the Puerto Rico Innovation Fund provide financing for innovative companies conducting R&D activities.
- **Incubators and Accelerators:** Initiatives such as parallel18 offer mentorship, funding, and access to a global network of investors and partners.





## Notable Tech Incubators and Accelerators

Puerto Rico is home to several organizations that support tech entrepreneurs

parallel<sup>18</sup>

An international accelerator program providing equity-free grants and mentorship to startups.



**GUAYACÁN**  
MOVING PUERTO RICO FORWARD

A nonprofit organization focused on fostering entrepreneurship and innovation.

codetrotters<sup>®</sup>

The first coding school in Puerto Rico, training the next generation of tech professionals.





## Manufacturing and Industrial Investments

### Pharmaceuticals and Biotech Industries

Puerto Rico is known as the "Bio Island," hosting manufacturing facilities for some of the world's largest pharmaceutical companies. The island produces 13 of the 20 best-selling drugs in the U.S., contributing significantly to its GDP. Companies benefit from tax incentives, including reduced corporate tax rates and exemptions on property and municipal taxes

### Incentives for Manufacturing Businesses

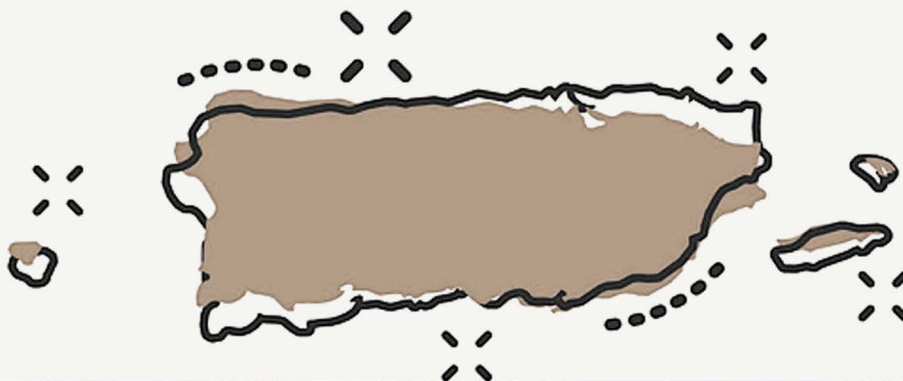
Under Act 60, manufacturing businesses in Puerto Rico can access:

- **Tax Benefits:** A fixed income tax rate of 4% on industrial development income and exemptions on municipal and property taxes.
- **Import and Export Incentives:** Exemptions on import duties for raw materials and machinery, and tax benefits for exporting manufactured goods.



4%

**Fixed  
Income  
Tax  
Rate**





## Manufacturing and Industrial Investments

### Renewable Energy and Infrastructure Projects

Puerto Rico is committed to transitioning to 100% renewable energy by 2050, as outlined in the Puerto Rico Energy Public Policy Act. Investment opportunities include solar farms, wind energy projects, and hydroelectric systems. Recent government initiatives have allocated over \$1.2 billion to modernize the energy grid and support renewable energy development

### Government Support and Funding Opportunities

The Puerto Rican government actively supports industrial and infrastructure investments through programs like:

- **Strategic Incentives:** Funding for job creation, workforce training, and equipment acquisition.
- **Reshoring Initiatives:** Efforts to attract multinational companies and strengthen the island's manufacturing sector.



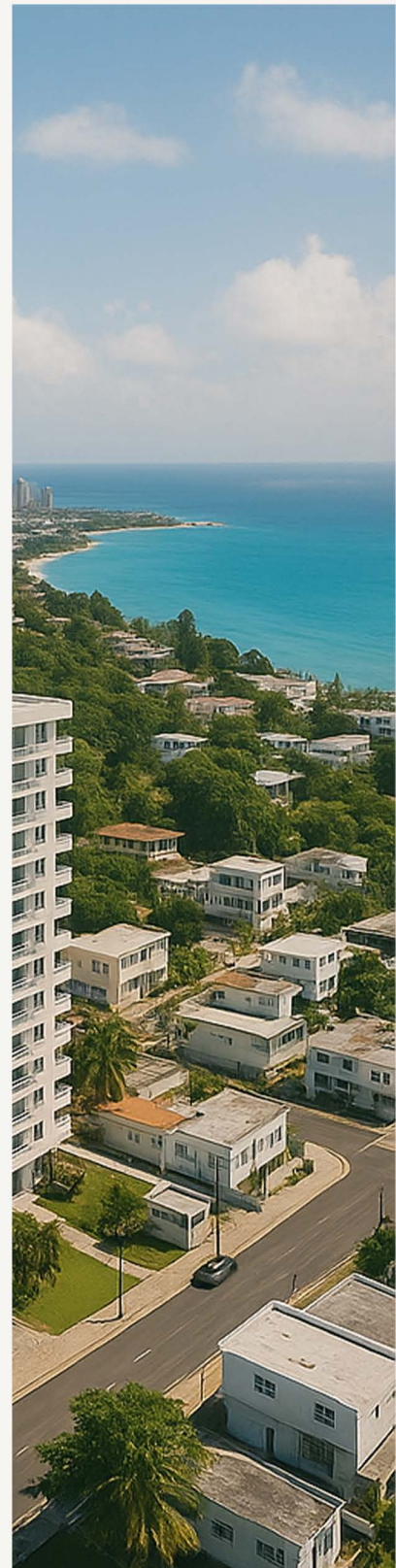
## Financial and Banking Sector

### Banking Regulations in Puerto Rico

Puerto Rico's banking system operates under a unique blend of U.S. federal laws and local regulations. The Office of the Commissioner of Financial Institutions (OCIF) oversees financial entities in Puerto Rico, ensuring compliance with both local and federal standards. While U.S. banking laws apply, Puerto Rico has its own regulatory framework for international banking entities (IBEs) and international financial entities (IFE). These entities benefit from tax exemptions and operate under less stringent requirements compared to mainland banks.

### Differences Between Puerto Rican and U.S. Banking Laws

- **Scope of Operations:** U.S. banks primarily serve domestic clients, while Puerto Rican IBEs and IFEs focus on international clients.
- **Regulatory Oversight:** U.S. banks are regulated by federal agencies like the FDIC, whereas Puerto Rican entities are governed by OCIF.
- **Tax Implications:** Puerto Rican banks enjoy favorable tax rates, including exemptions on property and municipal taxes.



## Financial and Banking Sector

### Offshore Banking and Crypto-Friendly Regulations

Puerto Rico is a popular destination for offshore banking due to its confidentiality and tax benefits. Offshore accounts in Puerto Rico are not subject to the Common Reporting Standard (CRS), ensuring privacy for account holders. Additionally, Act 60 offers zero tax on crypto earnings for residents, making Puerto Rico a haven for cryptocurrency investors.



### Access to U.S. Financial Markets

Puerto Rico's status as a U.S. territory provides unique advantages for investors and businesses. Entities operating in Puerto Rico can access U.S. financial markets while benefiting from local tax incentives. This dual advantage allows businesses to scale globally while maintaining a competitive edge in costs.



## Challenges and Risks



### Political and Economic Stability

Puerto Rico's political status as a U.S. territory creates both opportunities and challenges. While it benefits from U.S. federal support, the island faces economic instability due to debt and dependency on external markets. Political decisions, such as austerity measures under PROMESA, can impact investment returns.

### Natural Disasters and Hurricane Preparedness

Puerto Rico is prone to hurricanes and tropical storms, which pose risks to infrastructure and investments. Hurricane Maria in 2017 highlighted the need for robust disaster preparedness. Investors should consider mitigation strategies, such as insurance and resilient construction practices.

## Challenges and Risks

### Legal and Bureaucratic Considerations

Puerto Rico's legal system is a mix of civil and common law, influenced by both Spanish and U.S. traditions. Investors may face bureaucratic hurdles, including lengthy permitting processes and compliance with local zoning laws. Understanding these challenges is crucial for successful business operations.

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### Setting Up a Business in Puerto Rico

Establishing a business in Puerto Rico involves several key steps, each designed to ensure compliance with local laws and maximize the benefits of operating in this unique jurisdiction.

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### Business Registration, Legal Structure, and Licensing

- **Choose a Business Structure:** Decide on the legal structure that best suits your business needs. Common options include Limited Liability Companies (LLCs), corporations, and partnerships. Each structure has specific implications for taxation, liability, and operational flexibility.
- **Register Your Business:** Use the Puerto Rico Department of State's online portal to register your business. This process includes verifying the availability of your business name, submitting required documents, and paying registration fees.
- **Obtain Necessary Licenses:** Depending on your industry, you may need additional permits or licenses. For example, real estate businesses require a broker's license, while hospitality ventures may need health and safety certifications.



## Finding Local Partners & Resources

Building a network of local partners and leveraging available resources can significantly enhance your business prospects in Puerto Rico.

### Networking Opportunities and Business Support Services

- **Attend Industry Events:** Participate in conferences like the Puerto Rico Tech Summit or real estate expos to connect with industry leaders and potential collaborators.
- **Leverage Incubators and Accelerators:** Programs like Parallel18 and Colmena provide mentorship, funding, and networking opportunities for entrepreneurs.
- **Join Local Organizations:** Engage with groups like the Puerto Rico Chamber of Commerce to access valuable resources and establish connections within the business community.



# Engaging with Government Agencies

Puerto Rico offers a range of government programs and agencies dedicated to supporting investors and businesses.

- **Invest Puerto Rico:**

This organization promotes Puerto Rico as a premier investment destination and provides resources for businesses looking to establish operations on the island.

- **Puerto Rico Department of Economic Development and Commerce (DDEC):**

DDEC offers guidance on tax incentives, permits, and other business-related matters.

- **Puerto Rico Tourism Company:**

For those investing in hospitality or tourism, this agency provides support and promotional opportunities.





## Thank You for Exploring Puerto Rico with Us

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We appreciate your time in learning about Puerto Rico's unique real estate landscape. At InvestoHome, our mission is to turn your dream of owning property in paradise into a confident informed reality.

### CONTACT US

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