



Tax



Business



People

# Incentives for Individuals

July 15, 2019

To continue our series regarding Act 60-2019, known as the “Puerto Rico Incentives Code” (“Act”) and keep you informed of the most important changes to the incentives in Puerto Rico, we turn our attention to:

- Qualified Physicians, previously within Act No.14-2017;
- New incentive for researcher and scientists;
- New incentive grant for professional residents of difficult recruitment;
- New internship program for young people, entrepreneurs and first experience employment incentives;
- New Incentive program for elderly people; and
- New Incentive program known as My Future Account.

## Tax

Act 14- 2017	New Code
A qualified physician must be admitted to medical practice, podiatry or any other specialization in odontology on a full-time basis. The definition includes residents of an accredited program.	<b>Dental surgeons</b> are included in the definition of qualified physician.
Qualified physicians have a 2-year period beginning on April 22, 2017 to file for a grant of tax exemption.	<p>Qualified physicians that are a bona fide residents of Puerto Rico (“BFR-PR”) will have until September 30, 2019 to request a grant of tax exemption under the Act.</p> <p>Qualified physicians that are not a BFR-PR as of July 1, 2019 will have until June 30, 2020 to apply for a grant of tax exemption under the Act.</p> <p>Dental surgeons that do not practice another odontology specialization will have until June 30, 2020 to request a grant of tax exemption under the Act.</p> <p>Applications submitted after April 21, 2019 will be considered under the provisions of the Act.</p>

Visit our website to view  
 additional articles  
[www.grantthornton.pr](http://www.grantthornton.pr)

## Tax (cont'd)

Act 14- 2017	New Code
<p>The grant is effective on January 1st of the year in which the application is filed.</p> <p>For a physician completing a residency program outside of Puerto Rico, the Regulations issued under Act 14-2017 provide that the resident has a period of 120 days from the approval of the grant to establish his or her practice in Puerto Rico and become a BFR-PR.</p>	<p>The date of effectiveness of the grant is standardized to January 1 of a certain year depending on the situation:</p> <ul style="list-style-type: none"><li>• If BFR-PR is completing a residency program, the date of effectiveness is January 1 of the year the qualified physician establishes his/her practice in Puerto Rico.</li><li>• If not a BFR-PR and completing a residency program, the date of effectiveness is January 1 of the year the qualified physician establishes his or her practice in Puerto Rico and becomes a BFR-PR.</li></ul>

## Tax Incentives for Researchers and Scientists

Before	New Code
<p>Pursuant to Section 1031.02(a)(26) of the Puerto Rico Internal Revenue Code of 2011, as amended, a researcher or eligible scientist contracted by the University of Puerto Rico or any other institution of superior education authorized to operate in Puerto Rico and engaged in eligible scientific research subject to certain requirements and certifications, is eligible for an income tax exemption not to exceed \$195,000 of salaries received.</p>	<p>Exemption codified under the Act.</p> <p>Requires at least 60 hours of community services per year pursuant to the requirements set forth by the Secretary of the DEDC.</p>



## Tax Incentives for Researchers and Scientists (cont'd)

Before	New Code
Pursuant to Section 1031.02(a)(27) of the Puerto Rico Tax Code, a researcher or eligible scientist contracted to provide scientific and technology research and development services within the district established under Article 7 of Act 214 of 2004 (Act to Create the Puerto Rico Science, Technology and Research Trust) is eligible for an income tax exemption not to exceed \$250,000 of salaries received.	Exemption codified under the Act.  Requires at least 60 hours of community services per year pursuant to the requirements set forth by the Secretary of the DEDC.

The Act adopts a program for the repayment of student loans of certain physicians, dentists, veterinarians and scientific researchers with doctoral degrees. The program applies to professionals that graduate after July 1, 2019 and that commit to establishing their practice in Puerto Rico for a period of 7 - consecutive years. The subsidy will have a limit of \$65,000 per professional, subject to the availability of funds, payable at the commencement of the 7 years and the issuance of an incentive agreement with the Secretary of the DEDC. Recapture rules apply when the 7-year period is unfulfilled.

Incentives for young entrepreneurs are maintained with certain modifications.

A new incentive is adopted for professionals of difficult recruitment. These individuals shall be full time employees whose specialized knowledge is indispensable to an exempt business; and shall obtain a grant of tax exemption from the Secretary of the DEDC; among other requirements to be adopted through regulations. Salaries up to \$100,000 derived by said professionals will be subject to Puerto Rico income tax under the regular individual income tax rates of the Puerto Rico Tax Code while salaries and benefits over \$100,000 will be exempt from Puerto Rico income tax, including the alternate basic tax.

The Act adopts a public policy to promote and develop the full potential of the elderly population, through education and training so that they can incorporate themselves to the workforce and/or become entrepreneurs and contribute to the economic development of Puerto Rico. Incentives will be granted from the Economic Incentives Fund pursuant to the regulations to be issue by the Secretary of the DEDC.

In addition, the Act creates the My Future Account program, which establishes a trust for the benefit of all students of the public education system of the government of Puerto Rico that comply with the requirements set forth in the Act. The trust shall be organized by the Puerto Rico Fiscal Agency and Financial Advisory Authority ("FAFAA"). The Secretary of the DEDC, in consultation with the Secretary of Treasury and the Executive Director of FAFAA shall issue regulations to establish eligibility and other requirements of the program.



The Act is mainly effective from July 1, 2019. Changes incorporated by the Act will not affect current grantee holders. Applicants may elect to file under previous laws or under the Act until December 31, 2019. Commencing on January 1, 2020, all applications will have to be submitted under the Act. However, the Secretary of the DDEC may implement by regulation, provisions of the Act before January 1, 2020 to further the objectives of the Act.

Please contact our Tax Department should you require additional information regarding this or any other tax issue. We will be glad to assist you.



**María de los Angeles Rivera**  
Partner Head of Tax and  
IBC Director  
E [maria.rivera@pr.gt.com](mailto:maria.rivera@pr.gt.com)



**Lina Morales**  
Tax Partner  
E [lina.morales@pr.gt.com](mailto:lina.morales@pr.gt.com)



**Francisco Luis**  
Tax Partner  
E [francisco.luis@pr.gt.com](mailto:francisco.luis@pr.gt.com)



**Isabel Hernández**  
Tax Partner  
E [isabel.hernandez@pr.gt.com](mailto:isabel.hernandez@pr.gt.com)



DISCLAIMER: This update and its content do not constitute advice. Clients should not act solely on the basis of the material contained in this publication. It is intended for information purposes only and should not be regarded as specific advice. In addition, advice from proper consultant should be obtained prior to taking action on any issue dealt with this update.

© 2019 Kevane Grant Thornton LLP All rights reserved. Kevane Grant Thornton LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please visit [www.grantthornton.pr](http://www.grantthornton.pr) for further details.