



Puerto Rico Film Industry Incentives Act of 2011

The Puerto Rico Film Industry Incentives Act of 2011 was enacted into law by Governor Luis G. Fortuño on March 4, 2011. The Act brings Puerto Rico's production cost structure in line with other leading jurisdictions through innovative and competitive tax incentives. In recognition of the importance of complementing a low cost structure with state-of-the-art, specially dedicated infrastructure, the Act also provides for numerous incentives for the development and operation of related infrastructure, specifically high-capacity production studios. The Act replaces Act No. 362 of December 24, 1999, which set forth the previous incentives framework for the film and media industry in Puerto Rico.

Production Incentives

- 40% tax credit on all payments to Puerto Rico Residents.
- 20% tax credit on all payments to Non-Resident Talent (including stunt doubles). Payments made to Non-Resident Talent are subject to a 20% withholding over their PR income.
- Qualifying media projects: feature films; short films; documentaries; television programs; series in episodes; mini-series; music videos; national and international commercials; video games; recorded live performances; and original sound track recordings and dubbing.
- \$100,000 minimum spend requirement per project (\$50,000 for short films).
- No principal photography requirements (full or partial development, pre-production and post-production may qualify). If 50% or more of principal photography is shot in the island, development payments to Puerto Rico Residents can qualify.
- No per project or individual wage caps.
- No cap on credits for payments to Non-Residential Talent. The annual cap on credits for payments to Puerto Rico Residents is \$50 million (and may be expanded up to \$350 million as set forth below).

Infrastructure Incentives

- 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.
- Minimum investment of \$5 million per project.
- Maximum aggregate annual cap of \$10 million and lifetime cap of \$150 million for all infrastructure credits. Such credits shall only be available when a project is completed and ready for use and may be carried forward only if the corresponding project is in operation pursuant to the terms of its Grant.

Preferential Tax Treatment

Persons engaged in qualifying media and infrastructure projects as well as operators of studios and other purpose-built media facilities with a budget equal to or greater than \$50 million (including their suppliers), are eligible for the following preferential tax rates or exemptions:

- Fixed income tax rate of between 4% and 10%.
- 100% exemption on dividend taxes.
- 90% exemption from municipal and state taxes on property.
- 100% exemption from municipal license taxes, excise taxes and other municipal taxes.

Film Development Zones

The Act authorizes the Department of Economic Development and Commerce to designate certain geographic areas to be determined in the future as Film Development Zones. The transfer of properties within Film Development Zones shall be eligible for a 100% exemption from stamp and similar taxes. Qualifying media projects incurring a portion of their expenses with such zones shall also be eligible for expanded annual credit caps of: (a) \$50 million; (b) an additional \$150 million, if the investment in the studio located within such zone exceeds \$200 million; and (c) a further \$100 million if the caps described above are reached for two consecutive years. The Act creates the first such Film Development Zone in the Municipality of San Juan.