



GLOBAL
EMPLOYER
GUIDE

PUERTO RICO





Basic Country Facts

Full Name

- Commonwealth of Puerto Rico

Capital

- San Juan

Main Languages

- Spanish
- English

Population

- 3.194 million

Monetary Unit

- United States Dollar

Internet domain

- pr

International Dialing Code

- +1

Currency

- United States Dollar



STATUTORY LABOR REQUIREMENTS

Probation Period

- The probationary period is automatic (no need for an agreement in writing), and it is extended up to nine (9) months for non-exempt employees, and up to twelve (12) months for executives, administrators and professionals (exempt employees), as defined by applicable regulations.

Annual Leave

- Puerto Rico provides 15 days of annual leave
- Every employee shall be entitled to a minimum vacation leave accrual after working at least one hundred and thirty (130) hours a month.
- The minimum monthly vacation leave accrual rate shall be one-half (1/2) day during the first year of service; three-fourths (3/4) of a day after the first year of service up to the fifth (5) year of service; one (1) day after the fifth year of service up to the fifteenth (15) year of service; and one and one-fourth (1 1/4) of a day after the fifteenth (15) year of service



Public Holidays

- New Year's Day (1st January)
- Epiphany (6th January)
- Martin Luther King Jr. Day (20th January)
- The Day of Illustrious Puerto Ricans (17th February)
- American Citizenship Day (2nd March)
- Emancipation Day (of Puerto Rico) (23rd March)
- Good Friday (10th April)
- Birthday of José de Diego (20th April)
- Memorial Day (25th May)
- Independence Day (4th July)
- Birthday of Don Luis Muñoz Rivera (20th July)
- Labor Day (7th September)
- Columbus Day (12th October)
- Veterans Day (11th November)
- Discovery of Puerto Rico Day (19th November)
- Thanksgiving (26th November)
- Christmas Day (25th December)



Maternity Leave

- Under Act No. 3 a pregnant employee is generally entitled to eight (8) weeks of maternity leave.
- The employee must present a medical certificate indicating that she is pregnant and the estimated date of birth.
- The leave is comprised of four (4) weeks of prenatal leave and four (4) weeks of postnatal leave.
- However, an employee may remain at work up to one (1) week prior to the estimated date of birth, if she presents a medical certificate which authorizes her to work up to that time.
- An employee may also return to work as early as two (2) weeks after giving birth, if she presents a medical certificate from her doctor certifying that she can return to work.
- If the date of birth is delayed, the employee may continue on prenatal leave until the birth of the child without affecting the postnatal leave.
- Also, if post-natal complications arise, maternity leave may be extended up to an additional 12 weeks of unpaid leave.

Paternity Leave

- New parents in Puerto Rico also have access to the Federal Family and Medical Leave Act, which provides unpaid leave for employees who become parents through the birth or adoption of a child.

Sick Leave

- The Puerto Rico Sick Leave Law, also known as Act no 180, has been in place since 1998, making it the first out of any US Territory or state.
- To earn sick leave employees must work at least 115 hours a month.
- That is an average of a little under 5.5 hours a day or about 28 hours a week.
- Employees who work the required hours earn paid sick leave of 1 day for every month worked. Sick leave used counts toward the 115 hours minimum to continue to earn sick leave in later months.
- Employee must notify employers of sick leave as soon as possible and no later than the day of sickness, except for force majeure.

Work Hours

- Eight hours of work constitutes a regular working day in Puerto Rico.
- Forty hours of work constitutes a workweek

Overtime

- If you earn more than the Puerto Rico minimum wage rate, you are entitled to at least 1.5 times your regular hourly wage for all overtime worked.
- Puerto Rico establishes a special overtime rate of double an employee's normal hourly rate for any hours worked over 8 in a single day, or over 40 in a week.

Notice Period

- There are no required notice periods under local law.

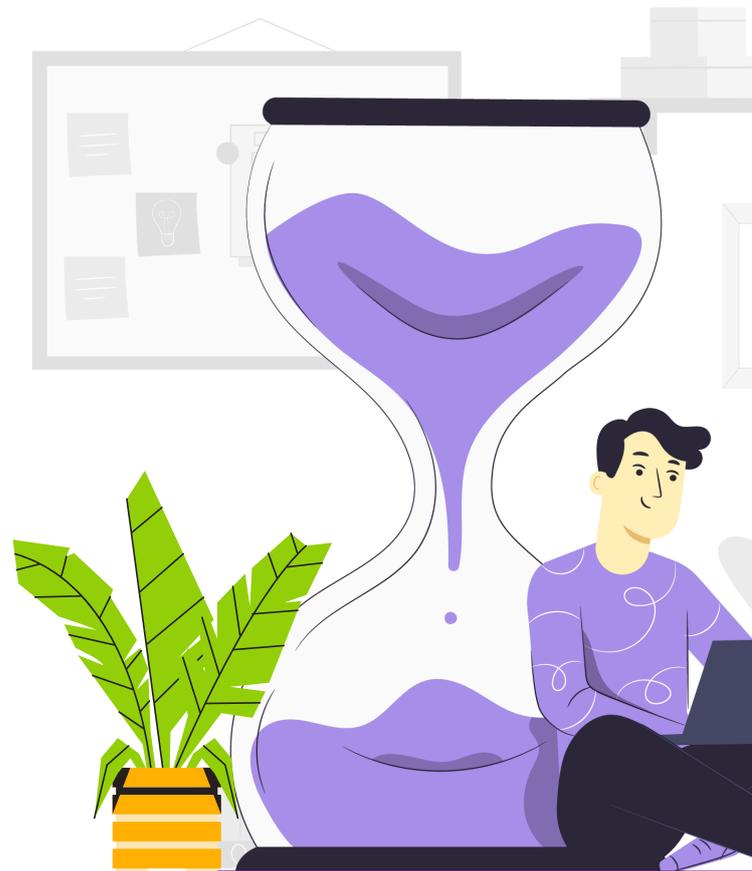
Severance

- If it is determined that there is no just cause, the discharged employee is entitled to an indemnification under Act No. 80 known as the "mesada."
- This payment provides an exclusive remedy for an employee claiming unjust dismissal.
- An employee discharged without just cause is entitled under Act No. 80 to receive the equivalent of 2 months' salary plus 1 week of pay for each full year of service, if (s)he has worked for the employer up to 5 years.
- If the employee has worked more than 5 and up to 15 years, (s)he is entitled to receive 3 months of salary plus 2 weeks of pay for each year of service.
- Employees who have worked for their employer for more than 15 years are entitled to receive 6 months of salary plus 3 weeks of pay for every year of service.
- Notwithstanding the above, an employee hired as of Jan. 26, 2017 and who is dismissed without just cause, is entitled to a severance pay that consists of: twelve (12) weeks of salary (the Law states "three (3) months," but defines a "month " as four (4) weeks for purposes of this calculation), and an additional amount equal to two (2) weeks of salary for each full year of service.
- The total compensation is subject to a cap of nine "months," that is, thirty-six (36) weeks.



13th Month

- The Christmas Bonus Act, provides that every employer will be required to pay an annual bonus to each employee that worked seven hundred (700) hours or more during the period of twelve (12) months comprised between Oct. 1 of the preceding year and Sept. 30 of the current year.
- Those employers that employ more than fifteen (15) employees, will have to pay to the qualifying employees a bonus equivalent to a 6% of the salary of each employee up to a maximum of \$10,000 (i.e., up to \$600 of bonus).
- Those employers that employ up to fifteen (15) employees will pay, instead, a bonus equivalent to a 3% of the salary of each employee also up to a maximum of \$10,000 (i.e., up to \$300 of bonus).
- Notwithstanding the foregoing, for employees hired as of Jan. 26, 2017, the statutory bonus will be different.
- Any employer who employs more than twenty (20) employees within the twelve (12)-month period from Oct. 1 of any year to Sept. 30 of the following calendar year, shall pay to each employee who worked at least one thousand three hundred and fifty (1,350) hours during said period, a bonus of two percent (2%) of the total salary earned, up to the amount of six hundred dollars (\$ 600.00).
- Employers, who employ twenty (20) or fewer employees during said period, shall pay each employee who worked at least one thousand three hundred and fifty (1,350) hours during the period, a bonus of two percent (2%) of the total salary earned, up to a maximum of three hundred dollars (\$300.00).
- Furthermore, for those employees hired as of Jan. 26, 2017, the statutory bonus will be fifty percent (50%) of what is provided herein, during the first year of their employment.
- The bonus must normally be paid between Nov. 15 and Dec. 15 of each year, subject to a penalty if paid late.



Income Tax

- Puerto Rican residents are taxed in Puerto Rico on their worldwide income, no matter where the income is sourced.
- Puerto Rican non-residents are only taxed in Puerto Rico on their PR-source income.
- Income for services performed is sourced to Puerto Rico based on where the services are performed.
- Such income is typically prorated to Puerto Rico based on workdays.
- Puerto Rico has a de minimis rule to avoid sourcing to Puerto Rico very small amounts of income from personal services.
- Income from personal services performed within Puerto Rico will not be considered from Puerto Rican sources if it is USD 3,000 or less and the individual was present in Puerto Rico for 90 days or less during the calendar year.
- The following regular tax rates remain in effect for 2018 and future years:

Net taxable income (USD)	Tax
Not over 9,000	0%
Over 9,000, but not over 25,000	7% of the excess over USD 9,000
Over 25,000, but not over 41,500	USD 1,120 plus 14% of the excess over USD 25,000
Over 41,500, but not over 61,500	USD 3,430 plus 25% of the excess over USD 41,500
Over 61,500	USD 8,430 plus 33% of the excess over USD 61,500





- If the individual's net taxable income exceeds USD 500,000, they will have to pay an additional tax (i.e. gradual adjustment tax).
- This tax is 5% of the excess of the total net taxable income over USD 500,000, limited to 33% of their personal and dependents' exemption plus USD 8,895.
- In addition to the regular income tax, individuals are required to compute an ABT assessed in accordance to the below tax table.
- The ABT taxable income is computed by adding back certain income items exempt from regular income tax.

Net taxable income subject to ABT (USD)	Tax
In excess of 25,000 but not more than 50,000	1
In excess of 50,000 but not more than 75,000	3
In excess of 75,000 but not more than 150,000	5
In excess of 150,000 but not more than 250,000	10
In excess of 250,000	24

- The credit for prior years' ABT liability may not be sold, transferred, or refunded.
- When determining the net income subject to ABT, this credit will be reduced by the portion of the ABT attributable to non-deductible expenses.
- The ABT will not be applicable to individuals whose only source of income is from salaries informed in a Withholding Statement.
- For tax years after 31 December 2018, an individual's total tax will be 95% of one's total tax determined (regular tax plus gradual adjustment).

Social Security

- Puerto Rico is covered under the US social security system; consequently, Puerto Rico employers and employees are subject to the US Social Security and Medicare taxes requirements.
- Under the Federal Insurance Contributions Act (FICA), social security tax is imposed on wages or salaries received by individual employees to fund retirement benefits paid by the federal government.
- The following two taxes are imposed under FICA:
 - Old-age, survivors and disability insurance (OASDI)
 - Hospital insurance (Medicare)
- For 2019, the OASDI tax is imposed on the first USD132,900 at a rate of 6.2% on the employee and 6.2% on the employer.
- Medicare tax is imposed, without limit, at a rate of 1.45% on the employee and 1.45% on the employer.
- In addition, higher income employees (but not their employers) pay an extra 0.9% Medicare tax.
- The income threshold varies by tax return filing status. Married couples filing jointly pay the extra tax on their combined wages in excess of USD250,000, single taxpayers and heads of households on wages exceeding USD200,000, and married taxpayers filing separately on wages exceeding USD125,000.
- Self-employment income (see below) is added to the amount of wages when determining the threshold.
- FICA tax is imposed on compensation for services performed in the United States, regardless of the citizenship or residence of the employee or employer.
- Consequently, absent an exception, nonresident alien employees who perform services in the United States are subject to FICA tax, even though they may be exempt from US income tax under a statutory rule or an income tax treaty.
- Certain categories of individuals are exempt from FICA tax, including foreign government employees, exchange visitors in the United States under J visas, foreign students holding F, M or Q visas, and individuals covered under social security totalization agreements between the United States and other countries.
- These agreements allow qualifying individuals to continue paying into the social security system of their home countries, usually for a period of five years.

Contribution	Employer	Employee
OASDI	6.2%	6.2%
Medicare	1.45%	1.45%



Deductible Expenses

Itemized deductions

- Puerto Rican residents and non-resident US citizens can claim the following itemized deductions to reduce their gross income.
- Puerto Rican non-resident foreign nationals may not claim these deductions.

Charitable contributions

- Charitable contributions will be allowed as a deduction to the extent they are made to charitable organizations qualified by the Secretary and provide services to residents of Puerto Rico.
- The contributions are subject to 50% of adjusted gross income (AGI).

Education expenses

- Interest paid on student loans for qualified individuals is deductible, as are contributions to Puerto Rican educational individual retirement accounts (IRAs).

Medical expenses

- Qualified medical expenses in excess of 6% of AGI (qualified expenses have been expanded) are allowed as deductions.

Mortgage interest

- Mortgage interest paid on qualified residential property is deductible, limited to USD 35,000 or 30% of AGI, whichever is lower.

Retirement plans

- Contributions to Puerto Rican IRAs are deductible, limited to USD 5,000 per individual in addition to contributions made to employer sponsored qualified retirement plans.
- Contributions to government retirement systems are also deductible.
- For taxable years beginning after 31 December 2018, contributions to governmental pension or retirement systems will be considered a reduction to the taxable wages, instead of an itemized deduction available in the tax return.

Casualty losses

- Casualty losses on a primary residence and certain personal property can be claimed as deductions.

Health Savings Account contributions

- Contributions to a Health Savings Account will not be allowed as itemized deductions.

Standard deductions

- There is no standard deduction in Puerto Rico.

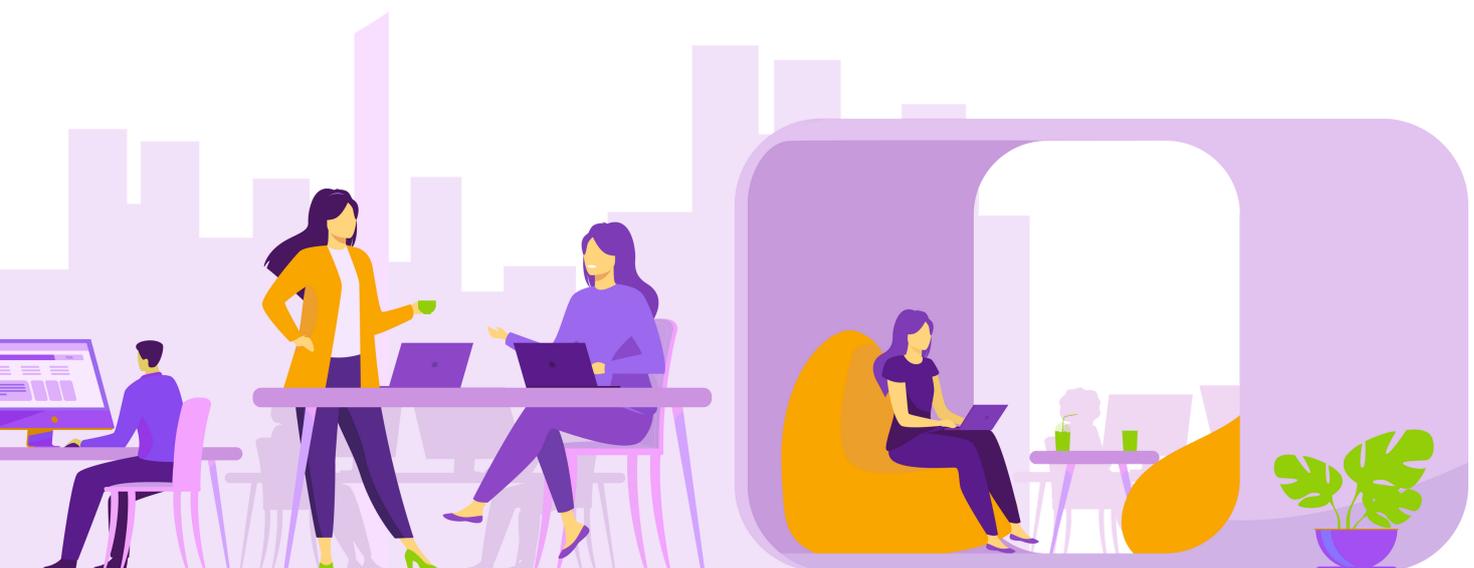
Personal exemptions

- The personal exemption for 2018 and future tax years is USD 3,500 per individual and USD 7,000 for married tax payers living together and filing jointly.
- The exemption for each dependent is USD 2,500.
- The veteran's exemption is USD 1,500.
- Puerto Rican non-resident foreign nationals are not allowed any exemptions.



Deductible Expenses

<p>Itemized Deductions</p>	<ul style="list-style-type: none"> • Charitable contributions • Charitable contributions will be allowed as a deduction to the extent they are made to charitable organizations qualified by the Secretary and provide services to residents of Puerto Rico. • The contributions are subject to 50% of adjusted gross income (AGI). • Education expenses • Interest paid on student loans for qualified individuals is deductible, as are contributions to Puerto Rican educational individual retirement accounts (IRAs). • Medical expenses • Qualified medical expenses in excess of 6% of AGI (qualified expenses have been expanded) are allowed as deductions. • Mortgage interest • Mortgage interest paid on qualified residential property is deductible, limited to USD 35,000 or 30% of AGI, whichever is lower. • Retirement plans • Contributions to Puerto Rican IRAs are deductible, limited to USD 5,000 per individual in addition to contributions made to employer sponsored qualified retirement plans. • Contributions to government retirement systems are also deductible. • For taxable years beginning after 31 December 2018, contributions to governmental pension or retirement systems will be considered a reduction to the taxable wages, instead of an itemized deduction available in the tax return. • Casualty losses • Casualty losses on a primary residence and certain personal property can be claimed as deductions. • Health Savings Account contributions • Contributions to a Health Savings Account will not be allowed as itemized deductions.
<p>Personal exemptions</p>	<ul style="list-style-type: none"> • The personal exemption for 2018 and future tax years is USD 3,500 per individual and USD 7,000 for married tax payers living together and filing jointly. • The exemption for each dependent is USD 2,500. • The veteran's exemption is USD 1,500. • Puerto Rican non-resident foreign nationals are not allowed any exemptions.



Immigration

- The rules concerning eligibility for visas that allow foreign nationals to work in Puerto Rico are identical to those for the continental United States.
- Several business-related nonimmigrant visa categories for the US are described below.
- These apply to Puerto Rico as well.

Visitor for business—B-1

- B-1 status is issued to people temporarily visiting the United States/ Puerto Rico to engage in business on behalf of foreign employers.
- B-1 holders may not be employed by or receive salary from US employers, but, among other activities, they may negotiate contracts, sell company products, develop business leads and attend conferences and business meetings on behalf of their foreign employers.
- A temporary business visitor may accept reimbursement for incidental expenses such as travel expenses.
- A B-1 visitor must retain unrelinquished domicile in the foreign country to where he or she intends to return at the conclusion of his or her temporary US stay.
- In general, business visitors with B-1 visas may enter the United States for periods of up to six months.
- However, B-1 status can be granted for a shorter period, often not exceeding 30 days, unless the business visitor can justify a longer period of admission.
- Applications for an extension beyond the initial entry period can be sought from the United States Citizenship and Immigration Service (USCIS).

Specialty occupations—H-1B

- The H-1B category covers foreign nationals employed in specialty occupations that require a theoretical and practical application of highly specialized knowledge, as well as a bachelor's degree or the equivalent in the field.
- Before applying for an H-1B visa, an employer must file a Labor Condition Application (LCA) with the Department of Labor (DOL) and certify that, among other things, the foreign national will be paid at least the prevailing wage for the proffered position.
- On 15 March 2019, the DOL issued policy guidance regarding LCA posting requirements.
- A prospective employer must also provide notice of filing the application by posting a hard copy notice, electronic notification or, when applicable, notification to the company's bargaining representative.
- If posting by hard copy notice, the employer must post notice of filing the application in two conspicuous locations at the employment site for at least 10 consecutive business days.
- If the employer meets the requirements, the holder of the H-1B status is entitled to a maximum six-year stay in the United States.
- In specified circumstances, extensions beyond the six-year limit may be available.
- Each year, only 65,000 H-1Bs are made available.
- In addition, regulations allow a further 20,000 H-1Bs to be issued to persons having a master's or higher degree from qualifying US post-secondary institutions.

- These requirements apply to both initial and renewal petitions. Prior to issuing this policy guidance, the USCIS generally permitted petitioning employers to provide general statements regarding the dates and locations of an H-1B worker's proposed or possible employment at external client locations.
- The current policy guidance specifically overturns the prior guidance and institutes a requirement for a specific, detailed itinerary corroborated by contracts covering these employees' work.
- On 19 November 2018, a new ETA Form 9035, Labor Condition Application (LCA), was implemented by the DOL.
- The new LCA form requests that the employer discloses the following:
 - Estimated number of workers that will perform work at the intended place of employment
 - Whether the worker subject to the LCA will be placed with a secondary employer at the place of employment
 - If the worker is placed with a secondary employer, the legal business name of the secondary employer
- These revisions were made to improve transparency about the number of H-1B workers being sent to worksites, the locations at which H-1B workers will be placed and the entities with which H-1B workers will be placed.



Specialty occupations—Trainees—H-3

- H-3 status may be issued to foreign nationals to enter the United States/ Puerto Rico for up to two years to receive training and to develop skills that will be used in their careers abroad.
- Trainees must participate in structured training programs at US/ Puerto Rican companies.
- The programs must incorporate theoretical and practical instruction, and may not consist solely of on-the-job training.
- The training must be unavailable in the foreign national's home country, and the skills acquired must apply to work outside the United States.
- For short-term training assignments (typically up to three months), an H-3 visa may not be required (for someone who falls under the VWP or who does not require a US visa), because in some instances the US immigration authorities recognize the "B-1 in lieu of an H-3" visa, which allows individuals to apply at a consulate (or in the case of the VWP, at the port of entry) for admission for the purpose of short-term training.
- Spouses and unmarried children of H-3 visa holders are eligible for H-4 status, but are not permitted to work in the United States.

Intracompany transferees—L-1

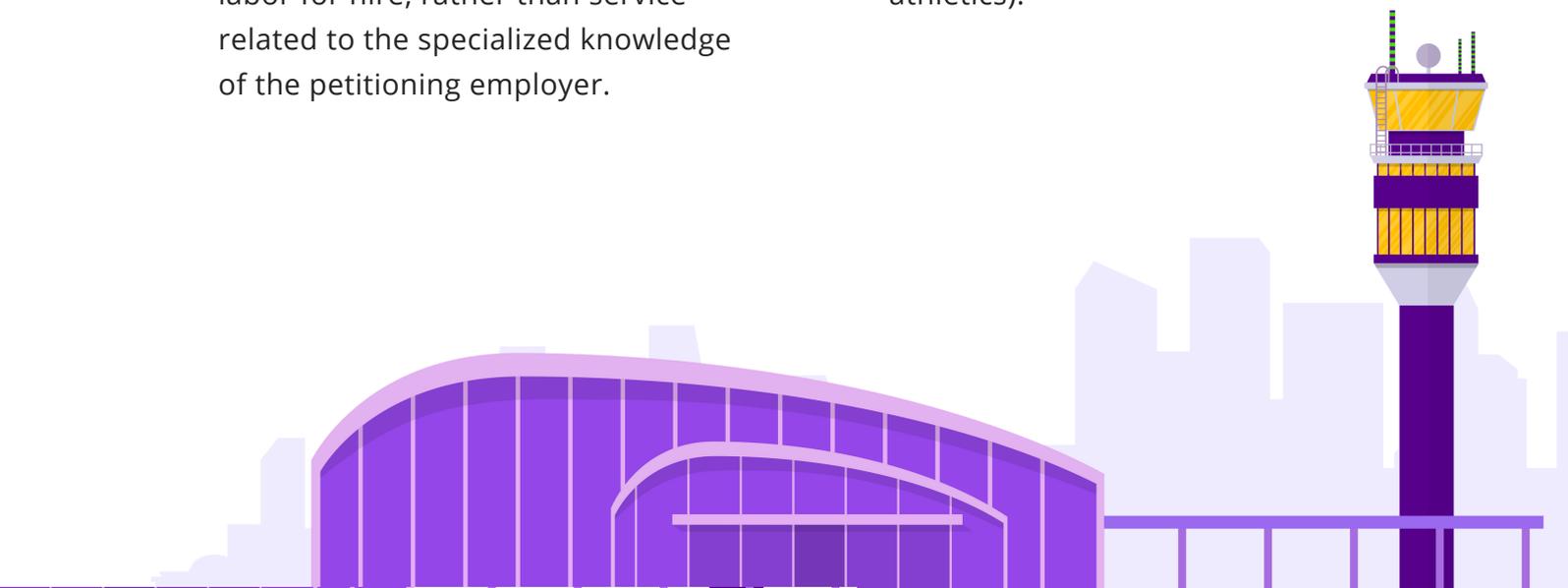
- L-1 visas may be issued to foreign nationals who are employed abroad in executive or managerial positions, or who hold positions involving specialized knowledge in the company's procedures, processes, services and/or products.

- On 15 November 2018, the USCIS issued a Policy Memorandum (PM) clarifying the requirement that the qualifying organization must have employed the principal L-1 beneficiary at the related foreign entity abroad for at least one continuous year during the three years preceding the time of petition filing.
- The PM explains the following:
 - The L-1 beneficiary must be physically outside of the United States during the required one continuous year of employment.
 - The petitioner and the beneficiary must meet all requirements, including the one year of foreign employment, at the time the petitioner files the initial L-1 petition.
- Specifically, the PM states that while a qualifying foreign entity employs a beneficiary abroad, brief trips to the United States for business or pleasure in B-1 or B-2 status tolls the one continuous year of employment abroad.
- If the beneficiary made brief trips to the United States that year for a total of 60 days, the beneficiary would need to accrue at least an additional 60 days of qualifying employment to meet the one-year foreign employment requirement.
- On arrival in the United States, the beneficiary must assume an executive, managerial or specialized knowledge position with the US affiliate, parent, subsidiary or branch office.
- Managers and executives may be issued and retain L-1A status for up to seven years; L-1B specialized-knowledge personnel may remain in the United States in that status for up to five years.

- For startup operations, L-1 visas are granted initially for a one year “new office” period.
- For visa extensions, startup companies must prove at the end of the year that they are “doing business” in the United States and have made progress toward becoming viable operating entities that need the services of managers, executives or personnel with specialized knowledge.
- If, at the end of the first year, the startup company is unable to prove that this progress has been made, it may be possible for the individual to receive an extension of an additional year to continue to grow the business.
- L-1B specialized knowledge visa holders may not work primarily at a worksite other than that of the petitioning employer if either of the following conditions will apply:
 - The work to be carried out will be controlled by a different employer.
 - The off-site arrangement will provide labor for hire, rather than service related to the specialized knowledge of the petitioning employer.

Extraordinary ability—O-1

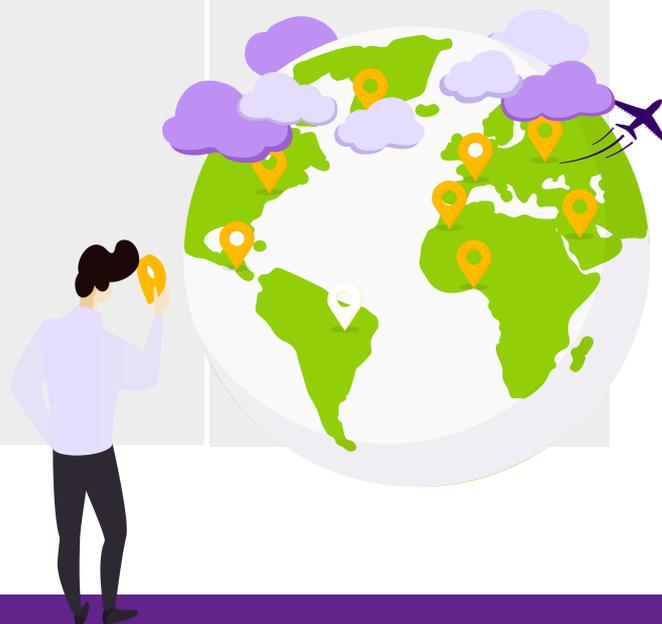
- The O-1 visa category is for persons of extraordinary ability in the sciences, arts, education, business or athletics.
- Separate tests for demonstrating extraordinary ability exist for the following categories of individuals:
 - Foreign nationals in the motion picture and television industries
 - Other foreign nationals Most foreign nationals must prove their claim of extraordinary ability by providing evidence of sustained national or international acclaim.
- They may enter the United States only to work in their fields, and US immigration authorities must determine that their entry substantially benefits the United States.
- O-1 petitions are submitted to the USCIS for adjudication, and in some instances must be accompanied by proof of consultation with appropriate US labor unions (particularly those representing individuals in the arts, entertainment or athletics).



Type of Visa	Documentation	Validity	Eligibility
B-1 Visa	<ul style="list-style-type: none"> • A Nonimmigrant Visa Electronic Application • A passport valid for travel to the United States • One (1) 2"x2" (5cmx5cm) photograph taken within the last six months • 10-year travel history • List of siblings and children 	<ul style="list-style-type: none"> • 6 months 	<ul style="list-style-type: none"> • B-1 status is issued to people temporarily visiting the United States to engage in business on behalf of foreign employers. • A B-1 visitor must retain unrelinquished domicile in the foreign country to where he or she intends to return at the conclusion of his or her temporary US stay.
H1-B Visa	<ul style="list-style-type: none"> • Valid original passport • All old passports held • One photograph as per specification. • US Visa Application Form DS-160 confirmation page stamped at the Visa Application Center (VAC) • US Visa Application Fee payment receipt. • Visa Interview appointment letter. • Original Notice of Action-I-797. • Blanket L1 applicants must carry the original I-129 and a copy of the Notice of Action I-797. 	<ul style="list-style-type: none"> • Maximum 6 years 	<ul style="list-style-type: none"> • The H-1B category covers foreign nationals employed in specialty occupations that require a theoretical and practical application of highly specialized knowledge, as well as a bachelor's degree or the equivalent in the field. • Before applying for an H-1B visa, an employer must file a Labor Condition Application (LCA) with the Department of Labor (DOL) and certify that, among other things, the foreign national will be paid at least the prevailing wage for the proffered position.
H-3 Visa	<ul style="list-style-type: none"> • Form I-129 and Form I-797 • Valid passport • Birth certificate • One photograph meeting the US Visa Digital Image Requirements • Documents which prove your intent to return to your home country such as a property deed, apartment lease, or future job contract 	<ul style="list-style-type: none"> • Maximum 2 years 	<ul style="list-style-type: none"> • Trainees must participate in structured training programs at US companies. • The programs must incorporate theoretical and practical instruction, and may not consist solely of on-the-job training. • The training must be unavailable in the foreign national's home country, and the skills acquired must apply to work outside the United States.



Type of Visa	Documentation	Validity	Eligibility
L-1 Visa	<ul style="list-style-type: none"> • Documentation verifying the corporate relationship between the U.S. company and the foreign company • Documentation verifying capitalization structure of the company • Detailed job description and requirements for the position • Documentation proving that you have worked in the foreign company for a continuous period of over one year in the preceding three years in an executive or managerial capacity • Copies of applicable business permits/licenses and registrations • DOS Form DS-160, Nonimmigrant Visa Application. • A copy of your passport which is valid for at least six months beyond the period of stay in the U.S • Two identical color photographs • Resume 	<ul style="list-style-type: none"> • L-1A (up to 7 years); • L-1B (up to 5 years) 	<ul style="list-style-type: none"> • L-1 visas may be issued to foreign nationals who are employed abroad in executive or managerial positions, or who hold positions involving specialized knowledge in the company's procedures, processes, services and/or products. • The L-1 beneficiary must be physically outside of the United States during the required one continuous year of employment. • The petitioner and the beneficiary must meet all requirements, including the one year of foreign employment, at the time the petitioner files the initial L-1 petition.
O-1 Visa	<ul style="list-style-type: none"> • A written consultation with a peer group in your area of ability • A copy of your employment contract • Evidence that you have received a major internationally recognized award, such as a Nobel Prize, or copies evidencing the following (Non-exhaustive List): <ul style="list-style-type: none"> ◦ Receipt of nationally or internationally recognized prizes or awards for excellence in the field of endeavor ◦ Membership in associations in the field which require outstanding achievements as judged by recognized international experts ◦ Published material in professional or major trade publications or newspapers about you and your work in the field • A copy of your passport • Passport style photograph 	<ul style="list-style-type: none"> • 3 years 	<ul style="list-style-type: none"> • The O-1 visa category is for persons of extraordinary ability in the sciences, arts, education, business or athletics.



Value Added Tax (VAT)

- Sales and use tax: 11.5 percent on most goods and services. 10.5 percent on goods and services not subject to municipal SUT.
- 4 percent on designated professional services and services rendered to other merchants (Special SUT).

Sales and Use tax	
Standard Rate	11.5%
Reduced Rate	10.5%
Reduced Rate	4%

Withholding Tax

Dividends

- Dividends paid to nonresident corporations generally are subject to a 10% withholding tax (15% for dividends paid to nonresident individuals)

Interest

- Interest paid to related parties not engaged in a trade or business in Puerto Rico generally is subject to a 29% withholding tax

Royalties

- Royalties paid to nonresidents are subject to a 29% withholding tax.

Fees for technical services

- A special contribution of 1.5% on the total contract amount is imposed on contracts for professional services, consulting services or legal services executed with the Commonwealth of Puerto Rico



WHT

Dividends:-

Nonresident Corporations	10%
Nonresident Individuals	15%

Interest 28%

Royalties 29%

Fees for Technical Services 1.5%

Termination

- Although Act No. 80 does not provide a definition nor a conclusive list of what constitutes just cause for dismissal, it does specify that just cause exists when the following occurs:
 - The employee engages in a pattern of improper or disorderly conduct.
 - The employee incurs a performance pattern that is deficient, inefficient, unsatisfactory, poor, tardy, or negligent. This includes not complying with norms and standards of quality and safety of the employer, low productivity, lack of competence, or ability to perform the work at reasonable levels required by the employer, and repeated complaints of the employer's clients.
 - The employee repeatedly violates reasonable rules and regulations set forth by the employer of which (s)he has timely received a written copy.
 - The full, temporary, or partial closing of operations. If the employer owns more than one office, factory, branch or plant, the total, temporary, or partial closure of the operations of any of these establishments where the dismissed employee works, shall constitute just cause for the dismissal.
 - Technological or reorganizational changes occur, as well as changes of style, design or nature of the product made or handled by the employer and/or the services it renders to the public.
 - Reductions in force that are necessary due to a reduction in the volume of production, sales, or profits, anticipated or present at the time of the discharge, or with the purpose of increasing the competitiveness or productivity of the establishment.
- There are no required notice periods under local law
- If it is determined that there is no just cause, the discharged employee is entitled to an indemnification under Act No. 80 known as the "mesada."
- This payment provides an exclusive remedy for an employee claiming unjust dismissal.
- An employee discharged without just cause is entitled under Act No. 80 to receive the equivalent of 2 months' salary plus 1 week of pay for each full year of service, if (s)he has worked for the employer up to 5 years.
- If the employee has worked more than 5 and up to 15 years, (s)he is entitled to receive 3 months of salary plus 2 weeks of pay for each year of service.
- Employees who have worked for their employer for more than 15 years are entitled to receive 6 months of salary plus 3 weeks of pay for every year of service.
- Notwithstanding the above, an employee hired as of Jan. 26, 2017 and who is dismissed without just cause, is entitled to a severance pay that consists of: twelve (12) weeks of salary (the Law states "three (3) months," but defines a "month " as four (4) weeks for purposes of this calculation), and an additional amount equal to two (2) weeks of salary for each full year of service.
- The total compensation is subject to a cap of nine "months," that is, thirty-six (36) weeks.





Statutory Benefits

- These are mandatory benefits as postulated by law
- These include annual leave, public holidays, maternity leave, paternity leave, sick leave, overtime pay, severance pay, 13th month pay
- Statutory benefits also include social security benefits

Statutory Benefits

Annual Leave

Public Holidays

Maternity Leave

Paternity Leave

Sick pay

Overtime Pay

Severance pay

13th month Pay

Social security benefits



Payments and Invoicing

- The tax year in Puerto Rico is the calendar year.
- In most cases, taxpayers must file an individual income tax return on a calendar-year basis by 15 April of the following year.
- Filing of returns, availability of deductions, and applicability of tax rates depends on residency and US citizenship.
- An automatic extension of time to file is granted (upon request) if submitted by 15 April. This extension is for six months.
- The following three categories of filing status are available for taxpayers:
 - Individual: includes (i) unmarried individuals; (ii) married individuals who are separated for a continuous period of 12 months, including the last day of the tax year, and that have been living in separate households for an uninterrupted period of 183 days (within the continuous 12-month period); and (iii) married taxpayers with pre-nuptial agreements expressly stating that the marriage would follow total asset separation.
 - Married taxpayers living together and filing jointly.
 - Married taxpayers living together and filing separately.
- For tax years after 31 December 2018, the obligation to file a Puerto Rico income tax return will be triggered when gross income minus the exemptions allowed under the Code is more than USD 0, unless the total income tax was withheld at source.
- Taxpayers are also required to file a tax return if the net income subject to ABT is USD 25,000 or more.
- Puerto Rico follows a 'pay as you go' withholding mechanism to fund income taxes on compensation throughout the year.
- For Puerto Rican residents, the employer will compute the income tax withholding for each employee based on the information provided by the employee on a specific form and with tables or percentage methods provided by the PR Treasury Department.
- Puerto Rican employees who are non-residents are subject to a flat 29% withholding in the case of foreign nationals and to a 20% withholding in the case of US citizens.
- In the case of a Puerto Rican resident who provides services (rather than as an employee) to another resident person, the income earned while providing such services will be subject to a withholding flat rate of 10%.
- Such withholding tax (WHT) rate does not apply to the first USD 500 of income earned by the individual who provides the services.





Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Puerto Rico ranked 65th in the World in 2019 in terms of ease of doing business.



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