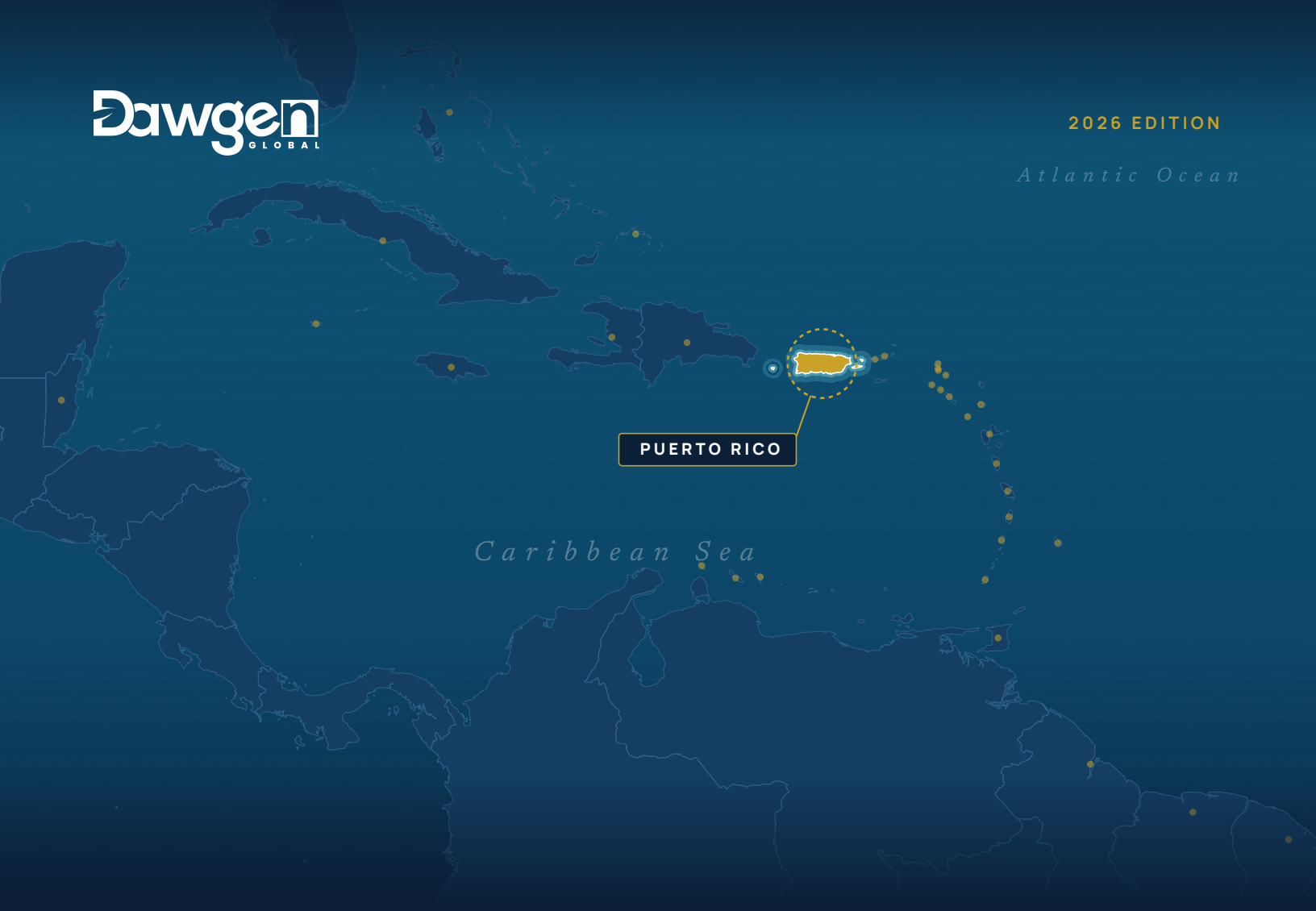
Dawgen GLOBAL

2026 EDITION



CARIBBEAN SERVICE DESK · GREATER ANTILLES

Doing Business in Puerto Rico

A practical guide to establishing, operating and growing a business in Puerto Rico

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FOREWORD

Puerto Rico offers a place inside the United States legal, monetary and customs system, with its own tax code and one of the Caribbean's most developed industrial bases.

Investors are drawn to Puerto Rico by a bilingual workforce, the US dollar, US federal courts and access to the US market, together with established incentives. Opportunity sits alongside complexity: local and federal tax, municipal, employment and permit rules all apply and need careful handling from the first day.

This guide sets out in plain language how to choose a structure, how set-up works, what taxes apply, how to employ people and which incentives may be available. It is written for investors, entrepreneurs and groups considering Puerto Rico.

We serve clients in Puerto Rico through Dawgen Global's Caribbean Service Desk, managed from our headquarters in Kingston, and we are ready to help you turn a plan into a well-run, compliant business.

Dr. Dawkins Brown, Ph.D., MCMI, ACFE

Executive Chairman, Dawgen Global

How to use this guide

This guide gives a practical overview of establishing and running a business in Puerto Rico. It is general information, current to October 2026, and is not a substitute for advice on your circumstances. Rates and rules change; speak to us before you act.

OVERVIEW

01 Puerto Rico at a glance

A self-governing territory of the United States, with an economy built on manufacturing, services, tourism and a growing technology sector.

CAPITAL
San Juan
Commercial and financial centre; Ponce is the second city

POPULATION
About 3.2 million
Residents are US citizens

LANGUAGES
Spanish and English
Both official; Spanish dominates daily life

CURRENCY
US dollar (USD)
US banking system; no exchange controls

LEGAL SYSTEM
Civil law and US federal law
US federal court in San Juan; final appeal to the US Supreme Court

TIME ZONE
UTC−4
Atlantic Standard Time all year; no daylight saving

CORPORATE INCOME TAX
18.5% + surtax
Graduated surtax; combined top rate 37.5%

SALES AND USE TAX (IVU)
11.5%
10.5% state plus 1% municipal

TRADE
US customs territory
Duty-free access to the US mainland

Leading sectors

Pharmaceuticals and life sciences · Medical devices · Aerospace and electronics · Export and shared services · Tourism and hospitality · Financial services · Technology and software · Renewable energy · Construction and real estate

Gateways

Luis Muñoz Marín International Airport (San Juan) has direct flights to the US mainland, Europe and the region. The Port of San Juan is a major cargo and cruise port.

Public holidays

Around 20 official holidays combine US federal and local holidays, such as Three Kings Day (6 January). Private-sector holiday pay depends largely on contract and sector rules.

INVESTMENT CLIMATE

02 Why Puerto Rico

US legal protections, the US dollar and a bilingual, technically skilled workforce make Puerto Rico a distinctive base for the US and Latin American markets.

Inside the US system

Goods move to and from the US mainland without customs duty, and US federal law protects contracts and intellectual property. San Juan is under three hours by air from Miami.

Bilingual, skilled workforce

A bilingual labour force with deep experience in regulated manufacturing supports pharmaceuticals, medical devices and aerospace. The University of Puerto Rico and private universities supply engineers, scientists, accountants and IT professionals.

Its own tax system

Puerto Rico sets its own income tax, and bona fide residents generally pay no US federal income tax on Puerto Rico-source income. The Incentives Code offers reduced rates for approved businesses and new residents.

A recovering economy

Since 2016 public finances have been overseen by the Financial Oversight and Management Board under the federal PROMESA Act. Most public debt has now been restructured, and the Board certified a General Fund budget of about US$13.2 billion for fiscal year 2026–27.

Federal recovery funds support rebuilding of the energy grid, roads and housing; energy cost and reliability remain planning points for investors.

Where the opportunities are

Sector	Examples of opportunity
Life sciences	Pharmaceutical, biotechnology and medical device manufacturing, including supply chains moving back to the US
Export services	Shared services, consulting, software, engineering and headquarters functions serving clients outside Puerto Rico
Tourism	Hotels, attractions, cruise and air links, and supply chains for food and services
Energy	Solar generation, storage, grid resilience and energy efficiency
Real estate	Housing, mixed-use and commercial redevelopment

Invest Puerto Rico and DDEC

Invest Puerto Rico is the investment promotion agency. The Department of Economic Development and Commerce (DDEC) administers incentive decrees under the Incentives Code.

LEGAL VEHICLES

03 Choosing a business structure

Most investors use a corporation or a limited liability company (LLC). Foreign companies may instead register to do business. The right choice depends on liability, Puerto Rico and US tax, financing and exit plans.

Vehicle	Key features	Typical use	Main obligations
Corporation	Separate legal entity; shareholders' liability limited; certificate of incorporation filed with the Department of State; resident agent in Puerto Rico	Most operating businesses and subsidiaries of foreign groups	Annual report to the Department of State; income tax returns; municipal filings
Limited liability company	Separate entity with limited liability and flexible management; may be taxed as a corporation or as a pass-through entity	Joint ventures, holding companies and owner-managed businesses	Annual report; income tax or informative returns
Foreign corporation or LLC	Entity formed elsewhere, including a US state, authorised to do business in Puerto Rico	Projects, contracts and market entry	Authorisation; tax on Puerto Rico profits plus 10% branch profits tax in some cases
Partnership	Civil or commercial partnership, including limited partnerships; general partners may be personally liable	Professional practices and investment vehicles	Registration; pass-through informative returns
Sole proprietor	Individual trading in their own name; unlimited liability	Small owner-managed businesses	Merchant registration; personal income tax
Non-profit corporation	No shareholders; may seek tax-exempt status from Hacienda	Charities and associations	Annual report; exemption filings

Foreign ownership

Foreign investors may own 100% of a Puerto Rico entity. Banking, insurance, securities, energy and telecommunications need licences. For US federal tax, a Puerto Rico corporation is a foreign corporation, so US groups should model the controlled foreign corporation rules.

Beneficial ownership

Since a federal rule of March 2025, entities formed in the US, including Puerto Rico, are exempt from Corporate Transparency Act beneficial ownership reporting. Banks still collect owner information.

GETTING STARTED

04 Setting up: step by step

Entities are formed online with the Department of State. Formation can be quick once documents are ready; bank accounts, permits and incentive decrees usually take longer.

1 **Plan the structure and name** — WEEK 1

Choose the vehicle, ownership and Puerto Rico and US tax treatment, and check the name is available in the Registry of Corporations.

2 **Form the entity** — WEEK 1–2

File the certificate of incorporation or formation online with the Department of State, naming a resident agent and designated office. Obtain a federal employer identification number (EIN) from the IRS.

3 **Open a bank account** — WEEK 2–6

Banks apply full know-your-customer checks on the entity, officers and owners. Allow extra time where owners are overseas.

4 **Register with Hacienda** — WEEK 2–4

Register in the SURI system and obtain the Merchant Registration Certificate before trading. This covers IVU, income tax withholding and other Hacienda accounts. Register as an employer for unemployment and disability insurance with the Department of Labor.

5 **Municipal registration and permits** — VARIES

Register with the municipality for the municipal licence tax (patente) and with CRIM for property tax. Obtain the single business permit through the Permits Management Office (OGPe), plus sector licences.

6 **Apply for incentives** — BEFORE TRADING

Where relevant, apply to DDEC for an Incentives Code decree before starting the eligible activity.

7 **Set up accounting and compliance** — BEFORE TRADING

Put in place bookkeeping, payroll, US GAAP or IFRS reporting, a tax and filing calendar, and anti-money laundering controls where your sector requires them.

Documents you will usually need

Certified passport and proof of address for each officer, director and owner; a resident agent in Puerto Rico; and, for a foreign entity, certified formation documents and a certificate of good standing from its home registry, with Spanish translations where required.

TAXATION

05 Tax at a glance

Puerto Rico has its own Internal Revenue Code. Resident corporations are taxed on worldwide income and foreign entities on Puerto Rico income. US federal payroll taxes also apply.

Business taxes	
Corporate income tax	18.5% normal tax plus a graduated surtax of 5% to 19% on net income above US$25,000; combined top rate 37.5%
Alternative minimum tax	Generally 18.5%, or 23% for businesses with volume of US$10 million or more
Branch profits tax	10% in some cases, on top of income tax
IVU	11.5% (10.5% state, 1% municipal); 4% on B2B and designated professional services; all merchants register
Municipal licence tax	A percentage of gross receipts, generally up to 0.5%, set by each municipality
Property tax (CRIM)	Real property about 8% to 12.3% of assessed value; business personal property about 5.8% to 9.8%
US federal payroll taxes	Social security, Medicare and federal unemployment tax

Individuals	
Income tax rates	0% up to US$9,000 rising to 33% above US$61,500
US federal tax	Bona fide residents generally exclude Puerto Rico-source income (Section 933)

Withholding tax (non-residents)	Rate*
Dividends	10% (companies); 15% (individuals)
Interest	Generally nil; 29% to related companies
Royalties and other income	29% (20% for US citizens)

*Domestic rates. Puerto Rico has no tax treaties, and US federal tax treaties do not cover Puerto Rico taxes. Incentive decrees may reduce some rates.

Recent changes

Laws in 2025 simplified business filings and allowed single-member LLCs to be disregarded. Act 38-2026 changed the resident investor regime from 2027. A broader reform to cut individual rates was still before the Legislative Assembly in 2026, and Puerto Rico has not adopted the OECD global minimum tax.

PEOPLE

06 Employing people

Puerto Rico and US federal employment law both apply. Employers register with Hacienda, the Department of Labor and the IRS, and observe minimum standards on wages, leave, bonuses and dismissal.

Minimum standards

- **Minimum wage:** US$10.50 an hour since 1 July 2024
- **Hours:** overtime at time and a half above 8 hours a day or 40 a week
- **Leave:** paid vacation and sick leave (one day a month) accrue monthly, subject to hours worked
- **Maternity:** 8 weeks' leave on full pay
- **Christmas bonus:** by 15 December for qualifying employees; up to US$600 (US$300 for small employers)
- **Probation:** generally 9 months for employees hired since 2017
- **Dismissal (mesada):** without just cause, 3 months' pay plus 2 weeks per year of service, capped at 9 months (Act 80, for hires since 2017)

Statutory payroll contributions

Contribution	Employee	Employer
Income tax withheld	0% to 33%	—
Social security (federal)	6.2%	6.2%
Medicare (federal)	1.45%	1.45%
Unemployment (PR and federal)	—	Rated
Disability insurance (SINOT)	0.3%	0.3%

Social security applies to wages up to US$184,500 (2026). Unemployment and SINOT apply to the first US$7,000 and US$9,000 of wages.

Bringing in foreign staff

US visas

Puerto Rico follows US federal immigration law. Foreign nationals need US work authorisation, such as an H-1B, L-1 or treaty investor (E-2) visa, applied for through US immigration authorities.

US citizens and residents

US citizens and lawful permanent residents may live and work in Puerto Rico without any permit. Many groups staff projects from the US mainland.

Relocating professionals

The Incentives Code offers reduced tax rates to qualifying physicians, researchers and scientists, and young entrepreneurs who meet residence conditions.

HR essentials from day one

Give every employee written terms, keep accurate time, pay and leave records, and adopt a handbook covering conduct, grievances, harassment and health and safety. Most disputes we see start with missing paperwork, not bad intentions.

MONEY AND ASSETS

07 Banking, currency and property

Banking and finance

Puerto Rico is part of the US banking system. Local banks, US banks, credit unions, insurers and broker-dealers are supervised by the Office of the Commissioner of Financial Institutions (OCIF) and federal regulators.

- **No exchange controls:** funds, profits and capital move freely
- **US dollar:** the official currency, with Federal Reserve payment systems
- **Deposit insurance:** FDIC cover at insured banks, as on the mainland
- **Capital markets:** there is no local stock exchange; issuers use US markets
- **Compliance:** expect thorough anti-money laundering checks under the federal Bank Secrecy Act

Financial reporting

Businesses above set volume thresholds must file audited financial statements, or in some bands an agreed-upon procedures report, with their returns.

Land and property

Foreign nationals and foreign-owned companies may buy property without special approval. Transfers are made by public deed before a notary, who must be an attorney, and recorded in the Property Registry.

Typical costs on a property purchase	
Transfer tax	No separate transfer tax; stamps on the deed scale with value
Registry fees	Payable on recording the deed and any mortgage
Notary and legal fees	Agreed with the notary and attorneys
Property tax	Annual, to CRIM, on assessed value

Before you build

Construction and use permits are issued through OGPe or autonomous municipalities. Coastal, flood-zone and larger projects may need environmental review.

GROWTH LEVERS

08 Incentives, trade and customs

Puerto Rico's Incentives Code (Act 60-2019) consolidates its incentives into decrees, usually for 15 years, alongside access to the US market.

Key incentive regimes

Regime	What it offers
Export services	4% income tax on eligible income, tax-free distributions, and partial relief from property and municipal taxes
Manufacturing	Reduced income tax, generally 4%, with property and municipal tax relief
Resident investors	Applications by 31 December 2026: interest, dividends and later capital gains exempt to 2035. From 2027: 4% on that income to 2055 (Act 38-2026)
Tourism and green energy	Reduced income tax and other relief for approved projects
Opportunity zones	Federal and local benefits for investment in designated areas

Resident investor decrees require a home purchase within two years and annual donations and reports. The IRS examines claims of Puerto Rico residence closely. We can assess which incentives fit your project and prepare the applications.

Market access

- **US customs territory:** no customs duty on goods moving to and from the US mainland
- **US trade agreements:** USMCA, CAFTA-DR and other US agreements apply
- **US tariffs:** US tariff measures, including those adopted in 2025–2026, apply to imports
- **Foreign-trade zones:** duty deferral for qualifying goods

Customs

US Customs and Border Protection handles imports from outside the US. Hacienda collects IVU and excise taxes on goods brought in, including from the mainland. Shipping between Puerto Rico and US ports must use US-flag vessels under the Jones Act.

COMPLIANCE

09 Regulators and compliance calendar

Who regulates what

Body	Role
Department of State	Registry of corporations and LLCs, annual reports
Hacienda	Income tax, IVU, withholding, excise taxes
Municipalities and CRIM	Municipal licence tax and property tax
US Internal Revenue Service	EIN, federal payroll taxes, federal returns
DDEC	Incentive decrees and compliance
OCIF and Insurance Commissioner	Banks, securities and insurance
Department of Labor	Labour standards, unemployment and disability insurance
OGPe	Construction, use and business permits
US Customs and Border Protection	Imports and exports
Oversight Board	Fiscal plans and government budgets

Key filing dates

When	What
20th of each month	IVU return and payment for the previous month
15th of each month	Income tax withheld from wages and other payments for the previous month
Quarterly	Federal Form 941 and Puerto Rico withholding, unemployment and disability returns
15 April, 15 June, 15 September, 15 December	Estimated income tax instalments
15 April	Corporate income tax return (extension available) and Department of State annual report
April and May	Municipal volume of business declaration; CRIM personal property return

Dates shown are for a calendar-year company. Late filing and payment attract penalties and interest, which build quickly.

Anti-money laundering and data

Financial institutions and other covered businesses must meet the federal Bank Secrecy Act and report to FinCEN. There is no general data protection law, but data breach notice rules and federal sector rules apply.

ACTION PLAN

10 Your first 90 days: checklist

Use this checklist to track the essential steps from decision to first trading day.

Days 1–30: establish

- [ ] Agree business plan, structure and ownership
- [ ] Model Puerto Rico and US federal tax
- [ ] Check the name in the Registry of Corporations
- [ ] Appoint a resident agent
- [ ] File formation documents with the Department of State
- [ ] Obtain an EIN from the IRS
- [ ] Apply to open business bank accounts

Days 31–60: register and license

- [ ] Register in SURI and obtain the Merchant Registration Certificate
- [ ] Register as an employer with the Department of Labor
- [ ] Register with the municipality and CRIM
- [ ] Obtain the single permit and sector licences
- [ ] Apply for any DDEC incentive decree
- [ ] Arrange US visas for foreign staff
- [ ] Lease premises and arrange insurance cover

Days 61–90: operate

- [ ] Set up the accounting system and chart of accounts
- [ ] Set up payroll and statutory deductions
- [ ] Issue written employment terms
- [ ] Build the tax and filing calendar
- [ ] Put AML and data security policies in place
- [ ] Agree year-end and audit arrangements

Ongoing

- [ ] Monthly IVU and withholding filings
- [ ] Quarterly payroll returns and estimated tax
- [ ] Annual returns and financial statements
- [ ] Annual report and municipal declarations
- [ ] Decree and permit compliance reports

YOUR PARTNER

11 How Dawgen Global helps

One Dawgen Global team supports you through our Caribbean Service Desk, managed from our headquarters in Kingston, with our US office in Miami.

Market entry and structuring

Choice of vehicle, Puerto Rico and US tax structuring, feasibility studies and business plans.

Incorporation and corporate secretarial

Entity formation, statutory records and annual reports to the Department of State.

Tax advisory and compliance

Registrations, planning, IVU, municipal taxes, returns and tax audits, through our Caribbean Tax Service Desk.

Accounting and payroll outsourcing

Bookkeeping, management accounts, payroll and a Virtual CFO.

Audit and assurance

Audits, reviews and special-purpose reporting.

HR, immigration and legal support

Employment terms, HR policies and legal process support, with our panel of attorneys.

Risk and compliance

AML programmes, data security, internal audit and governance.

Technology and cyber

Systems selection, digital transformation, cybersecurity and AI governance.

Incentive applications

Incentives Code assessments, decree applications and annual compliance.

Start with a conversation

Tell us your plans for Puerto Rico, and we will set out the steps, timeline and costs. Some regulated services are performed by affiliated firms; we will advise you of the arrangements when you make a request. Fees are tailored to each client's circumstances and set out in an engagement letter. Email **puertorico@dawgen.com** or **info@dawgen.global**, or call (876) 926-5210.

Talk to the Puerto Rico Caribbean Service Desk

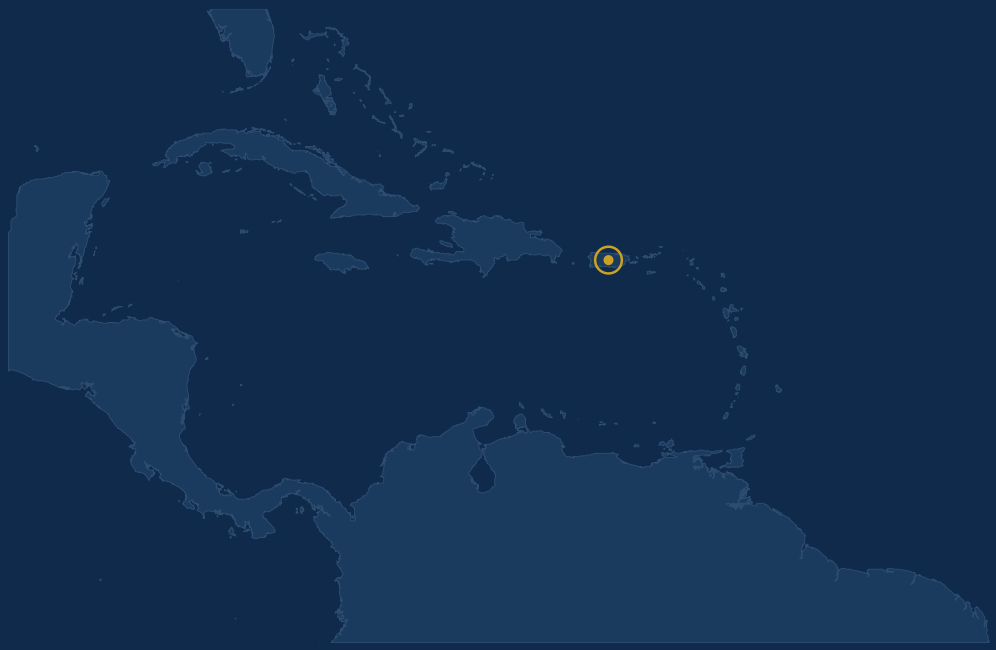
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Key official sources

- Puerto Rico Department of the Treasury, Hacienda (hacienda.pr.gov)
- Puerto Rico Department of State, Registry of Corporations (estado.pr.gov)
- Department of Economic Development and Commerce (ddec.pr.gov)
- Invest Puerto Rico (investpr.org)
- Department of Labor and Human Resources (trabajo.pr.gov)
- Municipal Revenue Collection Center, CRIM (crimpr.net)
- US Internal Revenue Service (irs.gov)
- Financial Oversight and Management Board for Puerto Rico (oversightboard.pr.gov)



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