

TAX NEWSLETTER

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GOVERNOR OF PUERTO RICO SIGNS INTO LAW TAX INCENTIVES ACT FOR MEDICAL PROFESSIONALS

On February 21, 2017, the Governor of Puerto Rico signed into law the Incentives for the Retention and Return of Medical Professionals Act (the "Act"). The Act aims to: (1) ensure health services are accessible and of quality for all residents of Puerto Rico; and (2) offer attractive tax incentives for medical professionals to stay in Puerto Rico, and for out-of-state medical professionals to consider establishing their medical practice in Puerto Rico.



TAX INCENTIVES

Qualified Physicians with a tax exemption decree would benefit from the following: (1) a 4% fixed income tax rate on Eligible Income generated through the medical practice; and, (2) income and alternative basic tax exemptions on the first \$250,000 of Eligible Dividends, under the Puerto Rico Internal Revenue Code of 2011, as amended (the "PR Code"). Eligible Income means, net income derived from professional medical services offered in Puerto Rico.

Qualified Physicians covered by a tax exemption decree will be able to contribute up to twenty-five percent (25%) of their after-tax net taxable income to individual retirement plans (Keogh) or up to twenty-five percent (25%) of their wages to a corporate retirement plan.

These incentives would be effective on January 1st of the year in which the tax exemption decree is approved. Qualified Physicians would have two years from the effective day of the Act to apply for the tax exemption benefits.

Qualified Physicians

Qualified Physicians are individuals who are admitted to practice: (1) medicine; (2) podiatry; (3) odontology; or (4) some dental specialty; and who exercise their profession on a full time basis. Resident Physicians currently performing their residency courses through an accredited program are also considered Qualified Physicians.

A physician will be considered a Qualified Physician as long as the physician:

1. maintains his/her admission to the practice and exercises the profession on a full time basis;
2. is a resident of Puerto Rico;
3. complies with tax obligations imposed by the Act or any other applicable acts;
4. provides community services as required (defined below)
5. complies with any other requirement and/or condition set forth in the decree.

The incentives would be effective for a period of fifteen (15) years. The incentives may be extended for an additional fifteen (15) years.

Community Services

As part of the conditions for the concession of tax benefits, Qualified Physicians must complete one-hundred eighty hours (180) of community service without compensation.

The services include:

1. assisting as a professor in university hospitals or medical school;
2. offering medical services in areas that lack medical services, according to the Physicians Chapter of Puerto Rico ("CMPR", by its Spanish acronym) and the Puerto Rico Department of Health;
3. providing medical wards in hospitals selected by both, the CMPR and Puerto Rico Department of Health;
4. offering seminars to the community related to prevention and other health topics or offering training or continuing education to students or medical professionals in Puerto Rico;
5. offering medical services to the medically indigent population; and,
6. offering medical services as part of a contract with the Health Plan of the Government of Puerto Rico

Application and Fees

Qualified Physicians are required to file with the DEDC a voucher for \$1,000 once the decree is approved. The government will establish by regulation, the procedure, complementary documents and filing fees to be required.

Effective Date

The Act will be effective sixty (60) days after the signature by the Governor of Puerto Rico.

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