

February 2, 2015

## Tax Update

### *Additional Flexibility to the Act to Promote the Relocation of Individual Investors to Puerto Rico*

Act 241-2014 amends the Act to Promote the Relocation of Individual Investors to Puerto Rico ("Act 22-2012") to ease requirements for eligibility as a Resident Individual Investor. Act 241-2014 also recognizes that many individuals establishing residency in Puerto Rico find inconsistencies between the Puerto Rico treatment of trusts and rules that apply to contributions of assets into trusts.

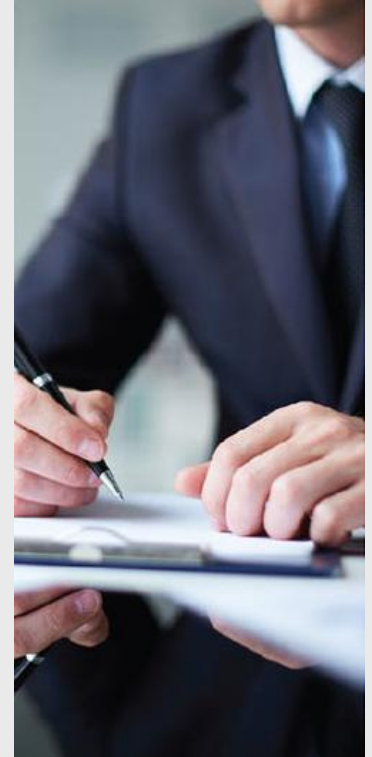
Act 241-2014 introduces the following changes:

1. Reduces the period for eligibility as a "Resident Individual Investor" from someone that was not a bona-fide resident of Puerto Rico for the 15-year period preceding the enactment of the Act to someone that was not a bona-fide resident of Puerto Rico for the 6-year period preceding the enactment of the Act.
2. Modifies various rules related to trusts:
  - a) Grantor trusts- An Investor can establish trusts under the laws of Puerto Rico and elect that such trusts be treated as grantor trusts for purposes of Puerto Rico income taxes.
  - b) Revocable Trusts- An Investor can establish revocable or irrevocable trusts under the laws of Puerto Rico. Trusts not including a provision addressing revocability will be presumed irrevocable.
  - c) Trusts established outside Puerto Rico- The provisions of any trust duly executed outside Puerto Rico by an Investor may not be challenged because of inconsistencies with Puerto Rico law or regulations.
  - d) Discretionary transfers or donations- An Investor may freely transfer or donate during his/her life, at his/her complete discretion, all or part of his/hers goods to any of the abovementioned trusts. Such transfer or donation may be made without regard of Puerto Rico laws or regulations to the contrary.

Finally, Act 241-2014 introduces a \$5,000 fee to applicants of an Act 22-2012 grant, to be paid in full prior to the issuance of the grant. Such fee will be deposited in the "Special Fund under the Act to Promote the Relocation of Individual Investors to Puerto Rico" and will be used for the promotion, administration and implementation of Act 22-2012 and related programs.

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