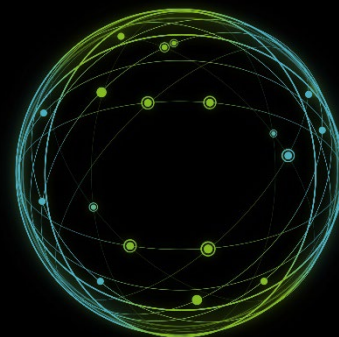


International Tax Puerto Rico Highlights 2026

Updated January 2026



Investment basics

Currency: US dollar (USD)

Foreign exchange control: There are no foreign exchange controls.

Accounting principles/financial statements: US GAAP applies. Financial statements generally are required annually, along with supplemental financial information.

Principal business entities: These are the corporation, limited liability company, partnership, joint venture, cooperative, closely held corporation, and branch of a foreign company.

Entities operating in Puerto Rico generally must register with the Puerto Rico State Department, Puerto Rico Treasury Department, State Insurance Fund, Puerto Rico Labor Department, and any municipality where a fixed place of business is established.

Corporate taxation

Rates	
Corporate income tax rate	18.5% (plus graduated surcharge of 5% to 19%)
Branch tax rate	18.5% (plus graduated surcharge of 5% to 19%), plus 10% branch profits tax
Capital gains tax rate	20%

Residence: A company is resident in Puerto Rico if it is created or organized in Puerto Rico.

Basis: Residents are taxed on worldwide income. Nonresidents are taxed on Puerto Rican-source income. Nonresidents engaged in a trade or business in Puerto Rico are taxed on income that is effectively connected with the Puerto Rico trade or business. Having remote workers in Puerto Rico does not necessarily imply being engaged in a trade or business in Puerto Rico. Branches are taxed similarly to subsidiaries, with certain exceptions (see “Branch remittance tax” under “Withholding tax,” below). For tax purposes, the US is considered a foreign jurisdiction.

Taxable income: Corporate income tax is imposed on net income, which consists of all income (less certain exclusions) reduced by ordinary and necessary business expenses. Certain business expenses are not deductible unless they are reported on informative returns. A portion of the expenses paid to a related party may be subject to disallowance.

Rate

General

The corporate income tax rate consists of a base rate of 18.5%, plus a graduated surcharge (see “Surtax,” below). A taxpayer with revenues that substantially arise from rendering services may elect to apply a flat tax rate of between 6% and 20% of its gross income, subject to certain conditions.

Surtax

A graduated surcharge is imposed at rates that range from 5% to 19%. The maximum surcharge rate is reached where net income exceeds USD 275,000. The first USD 25,000 of net income is not subject to the surcharge.

Alternative minimum tax

An alternative minimum tax (AMT) applies to “alternative minimum net income” and may be reduced by the AMT credit for foreign taxes paid. The AMT rate is 18.5% (23% for corporations with volumes of business of at least USD 10 million), with a minimum AMT of USD 500. Certain business expenses are not deductible for AMT purposes unless they are reported on informative returns.

Global minimum tax (Pillar Two)

Puerto Rico has not committed to implementing rules that generally are in line with the global anti-base erosion (GloBE) or “Pillar Two” model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for certain multinational enterprise groups.

Taxation of dividends: A dividends received deduction may be available for dividends received from certain resident companies.

Capital gains: Capital gains are taxed at a rate of 20%.

Losses: Net operating losses (NOLs) may be carried forward for 10 years. The NOL deduction is limited to 90% of the net income for the year. NOLs may not be carried back.

Foreign tax relief: Residents may credit taxes paid to foreign governments, as well as to the US and other US possessions, against the corresponding Puerto Rico tax.

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

Incentives: Various incentives are available to the manufacturing and export services industries, among others, which can lower the corporate income tax rate for these businesses to 4% or less.

Other: Recent enacted amendments and guidance related to employment laws applicable to remote employees establish the conditions that must be met to ensure that having remote employees in Puerto Rico does not cause the employer to be engaged in a trade or business and does not create an economic nexus in Puerto Rico. Additionally, wages paid to these remote workers are not subject to tax withholding in Puerto Rico.

Compliance for corporations

Tax year: Taxpayers may elect to use a calendar year or a fiscal year.

Consolidated returns: Consolidated returns are not permitted. Each entity must file a separate return.

Filing and payment: Resident companies are required to file a tax return by the 15th day of the fourth month after the close of the previous tax year. Resident passthrough entities are required to file a tax return by the 15th day of the third month after the close of the previous tax year. A six-month extension to file may be requested.

Generally, taxpayers with annual gross revenue that equals or exceeds USD 10 million must submit audited financial statements prepared by a certified public accountant (CPA) licensed in Puerto Rico. Taxpayers with annual gross revenue between USD 3 million and USD 10 million may submit an “agreed upon procedures” (AUP) report prepared by a CPA licensed in Puerto Rico in lieu of audited financial statements. For a group of related members (including corporations, partnerships, limited liability companies, and individuals), annual gross revenue is determined by aggregating the gross revenue of each group member. If the aggregated revenue of the group exceeds USD 10 million, then audited financial statements generally must be submitted for each group member with gross revenue equal to or greater than USD 3 million. Group members with gross revenue of less than USD 3 million are not required to submit audited financial statements, and may submit an AUP report prepared by a CPA licensed in Puerto Rico in lieu of audited financial statements. Certain business expenses are not deductible for AMT purposes, unless they are reported on audited financial statements or AUP reports.

Penalties: Monetary penalties may be imposed at rates up to 25%. Civil and criminal penalties apply in certain cases for failure to comply with the tax law.

Rulings: Private rulings are available from the Puerto Rico Treasury Department for pending transactions. Closing agreements and voluntary disclosure agreements also may be negotiated with the tax authorities.

Individual taxation

Rates		
Individual income tax rate	Taxable income (USD)	Rate
	Up to 9,000	0%
	9,001–25,000	7%
	25,001–41,500	14%
	41,501–61,500	25%
	Over 61,500	33%
Capital gains tax rate		15%

Residence: Individuals are resident if they are domiciled in Puerto Rico. For tax purposes, there is a presumption that an individual who is present in Puerto Rico for a period of 180 days or more in a calendar year is a resident. The facts and circumstances are critical in determining residence status.

Basis: Residents are taxed on their worldwide income, regardless of their citizenship, while nonresidents are subject to tax on their Puerto Rican-source income. Nonresidents are taxed on income effectively connected with a trade or business in Puerto Rico. Having remote workers in Puerto Rico does not necessarily imply being engaged in a trade or business in Puerto Rico.

Taxable income: Individuals must include all forms of remuneration, less qualified exclusions, in taxable income. Adjustments may be made for deductions, personal exemptions, and credits.

Rates: Progressive rates are imposed up to 33%. A surtax of 5% is imposed when net taxable income exceeds USD 500,000. The total tax equals 95% of the regular tax plus the surtax (92% for taxpayers with gross income up to USD 100,000). An alternate basic tax may apply.

Capital gains: Long-term capital gains are taxed at a rate of 15%.

Deductions and allowances: Residents are entitled to itemize certain allowable deductions. Nonresidents may itemize these deductions based on an allocation of days spent in Puerto Rico.

Foreign tax relief: Residents may credit taxes paid to foreign governments, as well as to the US and other US possessions, against the corresponding Puerto Rico tax.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Depending on taxpayers' civil status and personal circumstances, they may file as individual taxpayers, married taxpayers, or married taxpayers filing separately from their spouse.

Filing and payment: Taxpayers are required to file their taxes by the 15th day of the fourth month following the close of the previous tax year (i.e., 15 April). A six-month extension to file may be requested.

Estimated tax payments must be made when tax withholding is not made by employers. Certain employees working remotely in Puerto Rico for a foreign employer must make estimated tax payments on income subject to tax in Puerto Rico where the employer is not required to withhold such tax.

Wages paid to remote workers are not subject to withholding by the employer in Puerto Rico (see "Other" under "Corporate taxation," above).

Residents must file a declaration of financial accounts maintained outside of Puerto Rico or the US if the value exceeds USD 10,000.

For compliance rules applicable to individuals with businesses, please see "Filing and payment" under "Compliance for corporations," above.

Penalties: Monetary penalties may be imposed at rates up to 25%. Civil and criminal penalties apply in certain cases for failure to comply with the tax law.

Rulings: Private rulings are available from the Puerto Rico Treasury Department for pending transactions. Closing agreements and voluntary disclosure agreements also may be negotiated with the tax authorities.

Withholding tax

Rates				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	15%	10%	15%
Interest	0%	0%	0%/29%	0%
Royalties	0%	0%	29%	29%

Dividends: Dividends paid to resident companies are not subject to withholding tax, while dividends paid to resident and nonresident individuals are subject to a 15% withholding tax. Dividends paid to nonresident companies generally are subject to a 10% withholding tax.

Interest: Interest paid to resident or nonresident companies or individuals generally is not subject to withholding tax. Interest paid to related nonresident companies not engaged in a trade or business in Puerto Rico generally is subject to a 29% withholding tax.

Royalties: Royalties paid to residents are not subject to withholding tax. Royalties paid to nonresidents are subject to a 29% withholding tax.

Fees for technical services: Fees for technical services are not subject to withholding tax, but see "Other," below, for a special contribution imposed on certain services contracts.

Branch remittance tax: A nonresident company engaged in a trade or business in Puerto Rico that derives less than 80% of its income from such trade or business is subject to branch profits tax at a rate of 10% in lieu of the 10% withholding tax on dividends. This is an annual determination made at the time the income tax return is filed, and the tax is due even when an actual dividend has not been paid.

Other: Other items of fixed or determinable annual or periodic Puerto Rican-source income that are paid to nonresidents are subject to a 29% withholding tax (20% if paid to a US citizen).

A special contribution of 1.5% (that is neither an income tax nor an amount creditable against income tax) on the total contract amount is imposed on contracts for professional services, consulting services, or legal services executed with the government of Puerto Rico.

Anti-avoidance rules

Transfer pricing: Puerto Rico's transfer pricing provisions generally follow those in the US.

Interest deduction limitations: While there are no specific thin capitalization rules in Puerto Rico, guidance is provided based on the US rules.

Controlled foreign companies: There are no controlled foreign company rules.

Anti-hybrid rules: There are no anti-hybrid rules.

Economic substance requirements: Puerto Rico has economic substance provisions.

Disclosure requirements: There are no disclosure requirements.

Exit tax: There is no exit tax.

General anti-avoidance rule: There is no general anti-avoidance rule.

Sales and use tax

Rates	
Standard rate	11.5%
Reduced rate	4%/7%

Taxable transactions: Puerto Rico imposes a sales and use tax on taxable goods and services. Sales tax collection requirements were expanded to include remote sellers (mail order merchants) operating outside of Puerto Rico. The tax authorities have implemented marketplace, digital product, and mail order merchant provisions within the Internal Revenue Tax Code. The tax authority has issued regulations defining the terms "digital products," "specific digital products," and "other digital products," as well as further guidance regarding components within these terms.

Rates: The standard rate is 11.5%. A reduced rate of 7% applies to prepared food sales. Services rendered to other merchants and designated professional services are taxed at a 4% rate (applicable to professional service providers that exceed USD 300,000 in annual volume of business).

Registration: A taxpayer that sells or uses taxable items must register as a merchant with the Puerto Rico Treasury Department. A special authorization is required to collect the reduced 7% sales and use tax on sales of prepared food.

Filing and payment: Sales and use tax returns must be filed monthly. The return must be filed by the 20th day of the following month.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social contributions and payroll taxes: Social security taxes are comprised of old age, survivors, and disability insurance (OASDI) and Medicare/hospitalization insurance, both borne equally by the employer and the employee as a percentage of the employee's wages, with the employer responsible for remitting the tax to the government. The combined OASDI rate is 12.4%

(i.e., 6.2% each for the employer and the employee) and the combined Medicare rate is 2.9% (i.e., 1.45% each for the employer and the employee). OASDI is imposed on the first USD 184,500 for 2026. Medicare is levied on total wages. The portion of social security taxes borne by the employer is tax deductible.

Payroll tax consists of social security contributions and unemployment (federal and state) and disability insurance. Puerto Rico employers are subject to the “FICA” and “FUTA” provisions of the US Internal Revenue Code.

Capital duty: There is no capital duty.

Real property tax: The tax rate varies by location, but most municipalities assess a tax of approximately 8.03% to 12.33% of the 1958 market value of real property.

Transfer tax: The transfer of real property is subject to a stamp tax. The transfer tax to be paid depends on the value of the property transferred.

Stamp duty: See “Transfer tax,” above.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Other

Personal property tax

Personal property tax is imposed on certain personal property located in Puerto Rico (e.g., average monthly inventory, furniture and fixtures, supplies). The rates range from 5.8% to 9.83%. Audited financial statements prepared in accordance with US GAAP by a CPA licensed in Puerto Rico are required for taxpayers with annual revenue of at least USD 3 million.

Municipal license tax

A municipal license tax is imposed on the gross revenue attributable to each municipality where a fixed place of business is established. The rate imposed depends on the municipality (generally, the rate is 0.5%). Audited financial statements prepared in accordance with US GAAP by a CPA licensed in Puerto Rico are required for taxpayers with annual revenue of at least USD 3 million.

Annual report and fee

The Puerto Rico Department of State requires corporations to submit an annual report, which must include a balance sheet prepared in accordance with US GAAP, and a filing fee of USD 150. Audited financial statements prepared in accordance with US GAAP by a CPA licensed in Puerto Rico are required for taxpayers with annual revenue of at least USD 3 million. Limited liability companies are only required to pay an annual fee of USD 150.

Tax treaties: Puerto Rico does not have any tax treaties.

Tax authorities: Puerto Rico Treasury Department

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