

(H. B. 2600)

(No. 88)

(Approved May 13, 2006)

AN ACT

To amend subsection (k) of Section 6 and add a new Section 17A to Act No. 135 of December 2, 1997, as amended, known as the “Tax Incentives Act of 1998,” in order to increase the tax rate to be withheld on royalties paid to persons not residing in Puerto Rico for a maximum of ten percent (10%) to fifteen percent (15%) and to provide that the funds collected by virtue of this Act shall be covered into the Special Fund created by the “Act to Impose the Supertax of 2006”; and to establish its effectiveness.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.—Subsection (k) of Section 6 of Act No. 135 of December 2, 1997, as amended, known as the “Tax Incentives Act of 1998,” is hereby amended to read as follows:

“Section 6.—Exemptions.—

(k) Royalties and License Fees.—Any legal provisions notwithstanding, in the case of payments made by exempted businesses that hold a decree granted under this Act to nonresident corporations, partnerships or persons, for the use or the privilege to use patents, copyrights, formulas, technical skills and other similar property in Puerto Rico, they shall be subject to a fifteen-percent (15%) tax in lieu of another tax levied by law, if any. The Secretary of the Treasury may recommend the imposition of a tax lower than fifteen percent (15%), but never to be under

two percent (2%), provided he or she determines that said reduced tax shall work for the benefit of the best economic and social interests of Puerto Rico in consideration of the special nature of the particular exempted business, or of any other benefit or factor which in his or her judgment merits such a determination. The exempted business which makes said payment shall deduct and withhold said tax and report and remit the same to the Secretary of the Treasury pursuant to the provisions of the ‘Puerto Rico Internal Revenue Code.’”

Section 2.—A new Section 17A is hereby added to Section 135 of December 2, 1997, as amended, to read as follows:

“Section 17A.—Appropriation to Special Fund.—

The moneys collected in respect of the excess of the ten-percent (10%) or the fifteen-percent (15%) maximum tax by virtue of the provisions of this Act, shall be covered into the Special Fund created by the ‘Act to Impose the Supertax of 2006,’ including matters relative to the authorization granted to the President of the Government Development Bank in respect of the use of said Fund, as well as the corresponding limitations, as applicable; provided, further, that in the event that the Fund pays in full the debt contracted with the Government Development Bank on account of the resources facilitated to the Secretary of the Treasury to cover operating expenses of the Central Government for fiscal year 2005-2006, the excess shall be appropriated to service the debt existing as of June 30, 3006, with the Teachers’ Retirement System and the Retirement System of the Employees of the Commonwealth, and any additional excess, to defray the costs of early retirement plans of the Retirement System of the Employees of the Commonwealth. In the event that the money collected under this Act, as well as under any other legislation providing funds for these same purposes,

does not suffice to repay the advance granted by the Government Development Bank, this fund insufficiency shall be covered by the Urgent Interest Fund, as defined by law and which shall be an integral part of the Tax Reform proposal under Joint Resolution No. 321 of November 21, 2005.”

Section 3.—This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 88 (H.B. 2600) of the 3rd Session of the 15th Legislature of Puerto Rico:

AN ACT to amend subsection (k) of Section 6 and add a new Section 17A to Act No. 135 of December 2, 1997, as amended, known as the “Tax Incentives Act of 1998,” in order to increase the tax rate to be withheld on royalties paid to persons not residing in Puerto Rico for a maximum of ten percent (10%) to fifteen percent (15%) and to provide that the funds collected by virtue of this Act shall be covered into the Special Fund created by the “Act to Impose the Supertax of 2006”; and to establish its effectiveness,

has been translated from Spanish to English and that the English version is correct.

In San Juan, Puerto Rico, today 22nd of May of 2006.

Francisco J. Domenech
Director