

PUERTO RICO IMPROVES ITS FILM INDUSTRY INCENTIVES PROGRAM

In 2012, the Puerto Rico Film Industry Economic Incentives Act (Act No. 27 of March 4, 2011) was amended in two occasions to improve certain aspects of the same.

On July 13, 2012, the government enacted Act No. 140 of July 13, 2012 ("Act 140"), which expanded the definition of Puerto Rico production expenses to include, subject to the discretion of the Secretary of Development, the per diem payments made to individuals that are not residents of Puerto Rico that are directly attributable to the development, pre-production, production and post-production of a film project. Consequently, these expenses would be eligible for the 40% tax credit.

In addition, the definition of a "Film Project" was amended to include: (1) advertising campaigns consisting of various commercials that are accumulated under a single contract or a purchase order with Puerto Rico production expenses of a least one hundred thousand dollars (\$100,000); and (2) the post-production of one or several film projects (listed in the law), when all the film projects are accumulated under a single contract or purchase order with aggregate Puerto Rico production expenses of a least one hundred thousand dollars (\$100,000).

Act 140 also reduced the minimum investment requirement \$5 million to \$1 million for infrastructure projects to be eligible for the twenty five (25%) infrastructure tax credit and it expanded the definition of an infrastructure project to include the development or substantial expansion of post-production, animation, and special effects facilities.

Another important amendment to Act. 27 was enacted through Act No. 304 of December 21, 2012. Act 304 extends the 20% tax credit on payments to qualified nonresident talent. Accordingly, this credit will be available for Above the Line talent such as producers, directors and writers (excluding extras) and also for Below the Line individuals, provided that their services are rendered in Puerto Rico.

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