

# Doing Business 2008

**Puerto Rico**

COMPARING REGULATION IN 178 ECONOMIES

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Doing Business

Doing Business 2008 **Puerto Rico**

A Project Benchmarking the Regulatory Cost of  
Doing Business in 178 Economies

Doing Business Project  
World Bank Group



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Copies of *Doing Business 2008*, *Doing Business 2007: How to Reform*, *Doing Business in 2006: Creating Jobs*, *Doing Business in 2005: Removing Obstacles to Growth* and *Doing Business in 2004: Understanding Regulation* may be purchased at [www.doingbusiness.org](http://www.doingbusiness.org).

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# Introduction

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*Doing Business 2008* is the fifth in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 178 economies—from Afghanistan to Zimbabwe—and over time.

Regulations affecting 10 stages of a business's life are measured: starting a business, dealing with licenses, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2008* are current as of June 1, 2007. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The *Doing Business* methodology has limitations. Other areas important to business -- such as a country's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions, and the underlying strength of institutions -- are not studied directly by *Doing Business*. To make the data comparable across countries, the indicators refer to a specific type of business -- generally a limited liability company operating in the largest business city.

Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 178 economies: 46 in Sub-Saharan Africa, 31 in Latin America and the Caribbean, 28 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 17 in the Middle East and North Africa and 8 in South Asia—as well as 24 OECD high-income economies as benchmarks. Some of the regions have been divided into subregions to generate a total of 13 regional profiles.

The following pages present the summary *Doing Business* indicators for Puerto Rico along with the comparator economies selected. The data used for this country profile come from the *Doing Business* database and are summarized in graphs and tables. This report allows a comparison of the economies not only with one another but also with the “best practice” economy for each indicator.

The best-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other economies. These best-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 5.

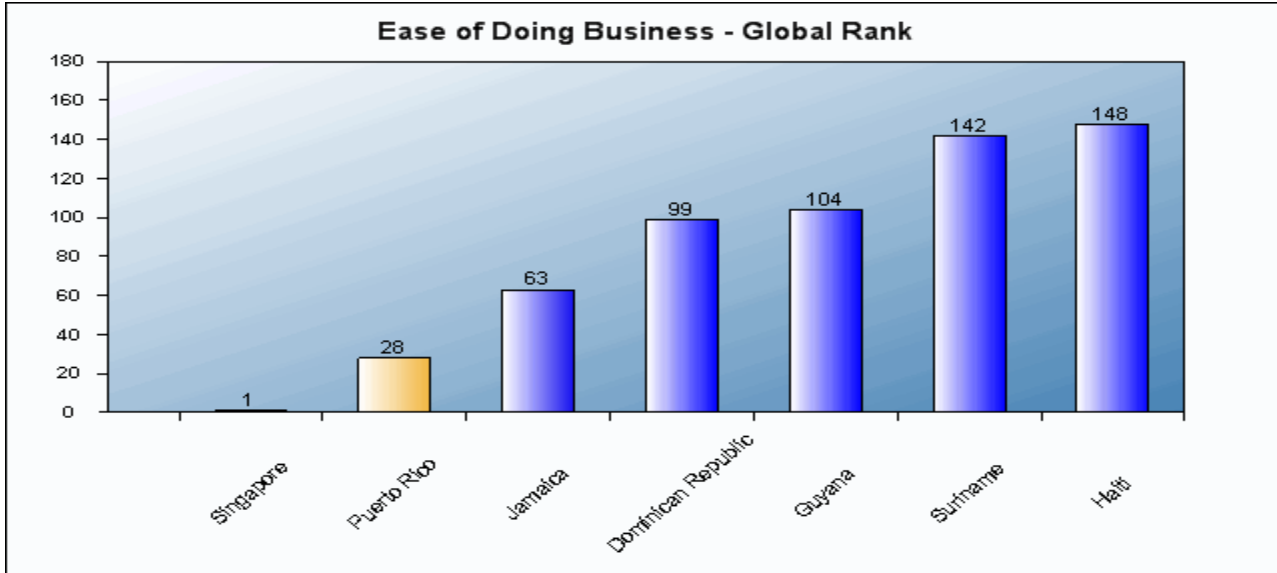
More information is available in the full report. *Doing Business 2008* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the *Doing Business* website

<http://www.doingbusiness.org>

## Economy Rankings - Ease of Doing Business

Puerto Rico is ranked 28 out of 178 economies. Singapore is the top ranked economy in the Ease of Doing Business.

### Puerto Rico - Compared to Global Best / Selected Economies:



### Puerto Rico's ranking in Doing Business 2008

Rank	Doing Business 2008
Ease of Doing Business	28
Starting a Business	7
Dealing with Licenses	135
Employing Workers	32
Registering Property	117
Getting Credit	26
Protecting Investors	12
Paying Taxes	39
Trading Across Borders	95
Enforcing Contracts	88
Closing a Business	28

## Reforms - Who is reforming?

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This year Egypt tops the list of reformers that are making it easier to do business. Egypt's reforms went deep with reforms in 5 of the 10 areas studied by Doing Business, and it greatly improved its position in the global rankings as a result. Besides Egypt, the other top 10 reformers are, in order, Croatia, Ghana, FYR Macedonia, Georgia, Colombia, Saudi Arabia, Kenya, China, and Bulgaria.

1. **Egypt**, the top reformer in the region and worldwide, greatly improved its position in the global rankings on the ease of doing business. Its reforms went deep. Egypt cut the minimum capital required to start a business, from 50,000 Egyptian pounds to just 1,000 and halved the time and cost of start-up. It reduced fees for registering property from 3 percent of the property value to a low, fixed amount. It eased the bureaucracy that builders face in getting construction permits. It launched new one-stop shops for traders at Egyptian ports, cutting the time to import by seven days and the time to export by five. And it established a new private credit bureau that will soon be making it easier for borrowers to get credit.

2. **Croatia** reformed in four of the 10 areas studied by Doing Business. Two years ago, registering property in Croatia took 956 days. Now it takes 174. Company start-up also became faster, with procedures consolidated at a "one-stop shop" and pension and health services registration now online. Credit became easier to access: a new credit bureau was launched, and a unified registry now records charges against movable property in one place. In its first two months, €1.4 billion in credit was registered. In addition, amendments to the country's insolvency law introduced professional requirements for bankruptcy trustees and shorter timelines.

3. **Ghana**, a top 10 reformer for the second year running, continues to increase the efficiency of its public services. It cut bottlenecks in property registration, reducing delays from six months to one. Greater efficiency at the company registry and the environment agency cut the time for business start-up to 42 days. Changes in the port authority's operations sped up imports. New civil procedure rules and mandatory arbitration and mediation reduced the time it takes to enforce contracts.

4. **FYR Macedonia** eliminated the minimum capital requirement for business start-up, sped up the process for getting construction permits, lowered the corporate income tax rate to 12 percent (with another cut to 10 percent planned for 2008), and simplified tax payment procedures. Its ranking on the ease of doing business rose from 96 to 75.

5. **Georgia** reformed in six areas. It strengthened investor protections, including through amendments to its securities law that eliminate loopholes that had allowed corporate insiders to expropriate minority investors. It adopted a new insolvency law that shortens timelines for reorganization of a distressed company or disposition of a debtor's assets. Georgia sped up approvals for construction permits and simplified procedures for registering property. It made starting a business easier by eliminating the paid-in capital requirement. In addition, the country's private credit bureau added payment information from retailers, utilities, and trade creditors to the data it collects and distributes.

6. **Colombia**, the region's top reformer, has made great strides in easing trade. By extending port operating hours and adopting more selective customs inspections, it reduced the time for port and terminal handling activities by three days. The country strengthened investor protections by increasing disclosure requirements for related-party transactions. It introduced an electronic tax filing system, cutting the average time businesses must spend on tax compliance each year by 188 hours, or 41 percent. And it is progressively reducing the corporate income tax rate, from 35 to 34 percent in 2007 and 33 percent in 2008.

7. **Saudi Arabia**, the runner-up reformer in the region, eliminated the minimum capital requirement of 1,057 percent of income per capita and reduced the days needed for company start-up from 39 to 15. It launched a commercial credit bureau whose reports include the credit exposure of companies. It also sped up trade, reducing the number of documents required for importing and cutting the time needed for handling at ports and terminals by two days for both imports and exports.

8. **Kenya**, the region's other top 10 reformer, launched an ambitious licensing reform program. So far the program has eliminated 110 business licenses and simplified eight others. The changes have streamlined business start-up and cut both the time and cost of getting building permits. The program will eventually eliminate or simplify at least 900 more of the country's 1,300 licenses. Property registration is also faster now, thanks to the introduction of competition among land valuers. And the country's private credit bureau now collects a wider range of data.

9. In **China**, a new property law put private property rights on equal footing with state property rights. The law also expanded the range of assets that can be used as collateral to include inventory and accounts receivable. The new bankruptcy law gives secured creditors priority to the proceeds from their collateral. Construction also became easier, with electronic processing of building permits reducing delays by two weeks.

10. **Bulgaria** eased the tax burden on businesses and made it easier to pay taxes online. Bulgaria also introduced private bailiffs to improve efficiency in enforcing judgments. And it made building inspections less burdensome.



## Number of reforms in Doing Business 2008

Rank	Economy	Starting a Business	Dealing with Licenses	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Total number of reforms
1	Egypt	✓	✓		✓	✓			✓			5
2	Croatia	✓			✓	✓					✓	4
3	Ghana	✓			✓	✓			✓	✓		5
4	Macedonia, FYR	✓	✓					✓				3
5	Colombia						✓	✓	✓			3
6	Georgia	✓	✓		✓	✓	✓				✓	6
7	Saudi Arabia	✓				✓			✓			3
8	Kenya	✓	✓		✓	✓						4
9	China		✓			✓					✓	3
10	Bulgaria		✓					✓		✓		3
	<b>Puerto Rico</b>											<b>0</b>
	<b>Dominican Republic</b>	✓			✓			✗	✓			<b>2</b>
	<b>Guyana</b>											<b>0</b>
	<b>Haiti</b>				✓							<b>1</b>
	<b>Jamaica</b>											<b>0</b>
	<b>Suriname</b>											<b>0</b>

**Note:** Economies are ranked on the number and impact of reforms, Doing Business selects the economies that reformed in 3 or more of the Doing Business topics. Second, it ranks these economies on the increase in rank in Ease of Doing Business from the previous year. The larger the improvement, the higher the ranking as a reformer.

## Summary of Indicators - Puerto Rico

<b>Starting a Business</b>	<b>Procedures (number)</b>	7
	<b>Duration (days)</b>	7
	<b>Cost (% GNI per capita)</b>	0.8
	<b>Paid in Min. Capital (% of GNI per capita)</b>	0.0
<b>Dealing with Licenses</b>	<b>Procedures (number)</b>	22
	<b>Duration (days)</b>	209
	<b>Cost (% of income per capita)</b>	550.8
<b>Employing Workers</b>	<b>Difficulty of Hiring Index</b>	44
	<b>Rigidity of Hours Index</b>	0
	<b>Difficulty of Firing Index</b>	20
	<b>Rigidity of Employment Index</b>	21
	<b>Nonwage labor cost (% of salary)</b>	13
	<b>Firing costs (weeks of wages)</b>	0
<b>Registering Property</b>	<b>Procedures (number)</b>	8
	<b>Duration (days)</b>	194
	<b>Cost (% of property value)</b>	1.4
<b>Getting Credit</b>	<b>Legal Rights Index</b>	6
	<b>Credit Information Index</b>	5
	<b>Public registry coverage (% adults)</b>	0.0
	<b>Private bureau coverage (% adults)</b>	62.0
<b>Protecting Investors</b>	<b>Disclosure Index</b>	7
	<b>Director Liability Index</b>	6
	<b>Shareholder Suits Index</b>	8
	<b>Investor Protection Index</b>	7.0
<b>Paying Taxes</b>	<b>Payments (number)</b>	16
	<b>Time (hours)</b>	140
	<b>Profit tax (%)</b>	12.4
	<b>Labor tax and contributions (%)</b>	12.6
	<b>Other taxes (%)</b>	19.3
	<b>Total tax rate (% profit)</b>	44.3

<b>Trading Across Borders</b>	<b>Documents for export (number)</b>	7
	<b>Time for export (days)</b>	15
	<b>Cost to export (US\$ per container)</b>	1225
	<b>Documents for import (number)</b>	10
	<b>Time for import (days)</b>	16
	<b>Cost to import (US\$ per container)</b>	1225
<b>Enforcing Contracts</b>	<b>Procedures (number)</b>	41
	<b>Duration (days)</b>	620
	<b>Cost (% of claim)</b>	16.4
<b>Closing a Business</b>	<b>Time (years)</b>	3.8
	<b>Cost (% of estate)</b>	8
	<b>Recovery rate (cents on the dollar)</b>	54.1

## Starting a Business in Puerto Rico: Entry Regulation

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When entrepreneurs draw up a business plan and try to get under way, the first hurdles they face are the procedures required to incorporate and register the new firm before they can legally operate. Economies differ greatly in how they regulate the entry of new businesses. In some the process is straightforward and affordable. In others the procedures are so burdensome that entrepreneurs may have to bribe officials to speed the process—or may decide to run their business informally.

The data on starting a business are based on a survey and research investigating the procedures that a standard small to medium-size company needs to complete to start operations legally. These include obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. The time and cost required to complete each procedure under normal circumstances are calculated, as well as the minimum capital that must be paid in. It is assumed that all information is readily available to the entrepreneur, that there has been no prior contact with officials and that all government and nongovernment entities involved in the process function without corruption.

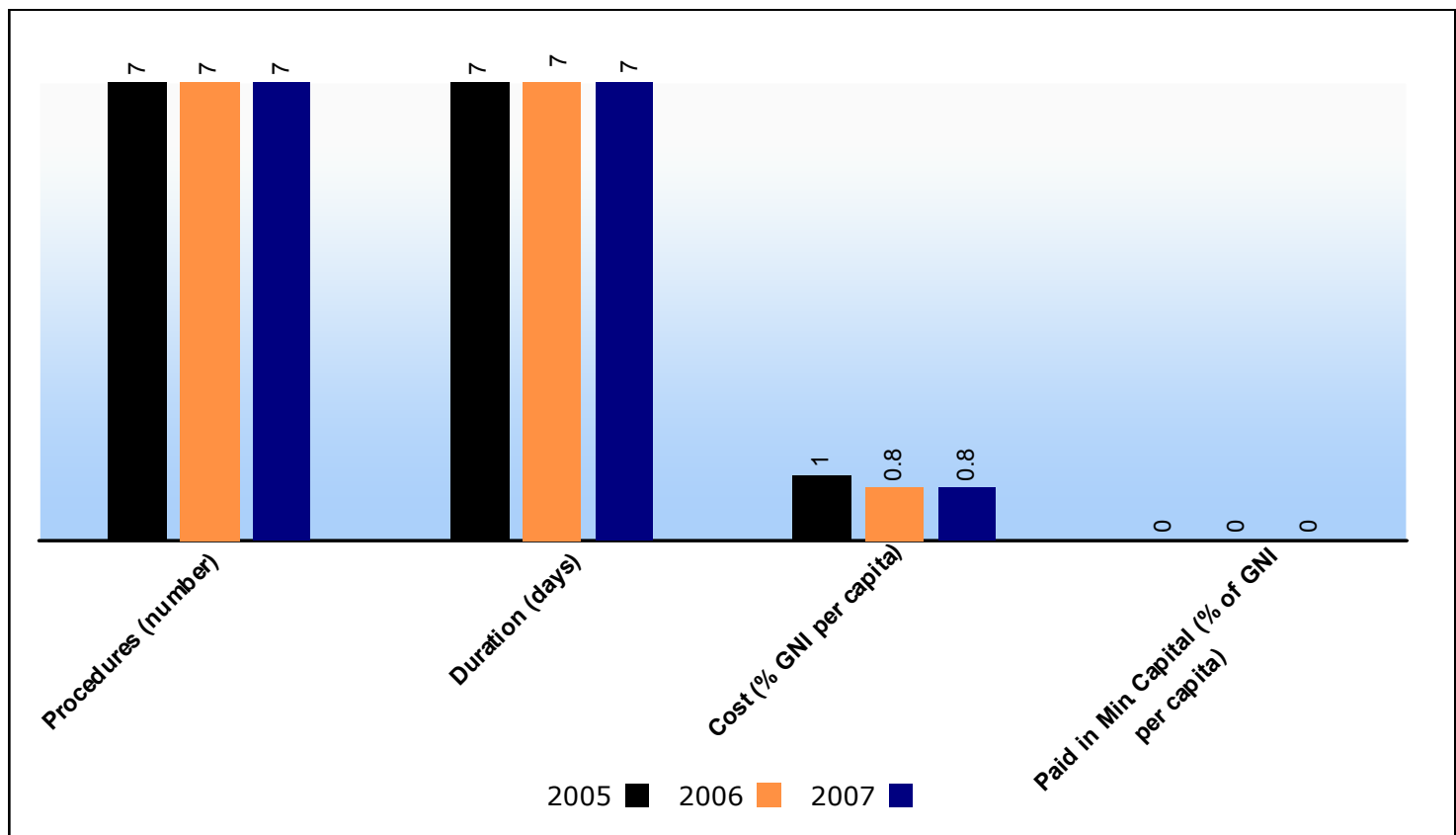
To make the data comparable across economies, detailed assumptions about the type of business are used. Among these assumptions are the following: the business is a limited liability company conducting general commercial activities in the largest business city; it is 100% domestically owned, with start-up capital of 10 times income per capita, turnover of at least 100 times income per capita and between 10 and 50 employees; and it does not qualify for any special benefits, nor does it own real estate. Procedures are recorded only where interaction is required with an external party. It is assumed that the founders complete all procedures themselves unless professional services (such as by a notary or lawyer) are required by law. Voluntary procedures are not counted, nor are industry-specific requirements and utility hook-ups. Lawful shortcuts are counted.

Cumbersome entry procedures are associated with more corruption, particularly in developing countries. Each procedure is a point of contact—an opportunity to extract a bribe. Analysis shows that burdensome entry regulations do not increase the quality of products, make work safer or reduce pollution. Instead, they constrain private investment; push more people into the informal economy; increase consumer prices; and fuel corruption.

## 1. Historical data: Starting a Business in Puerto Rico

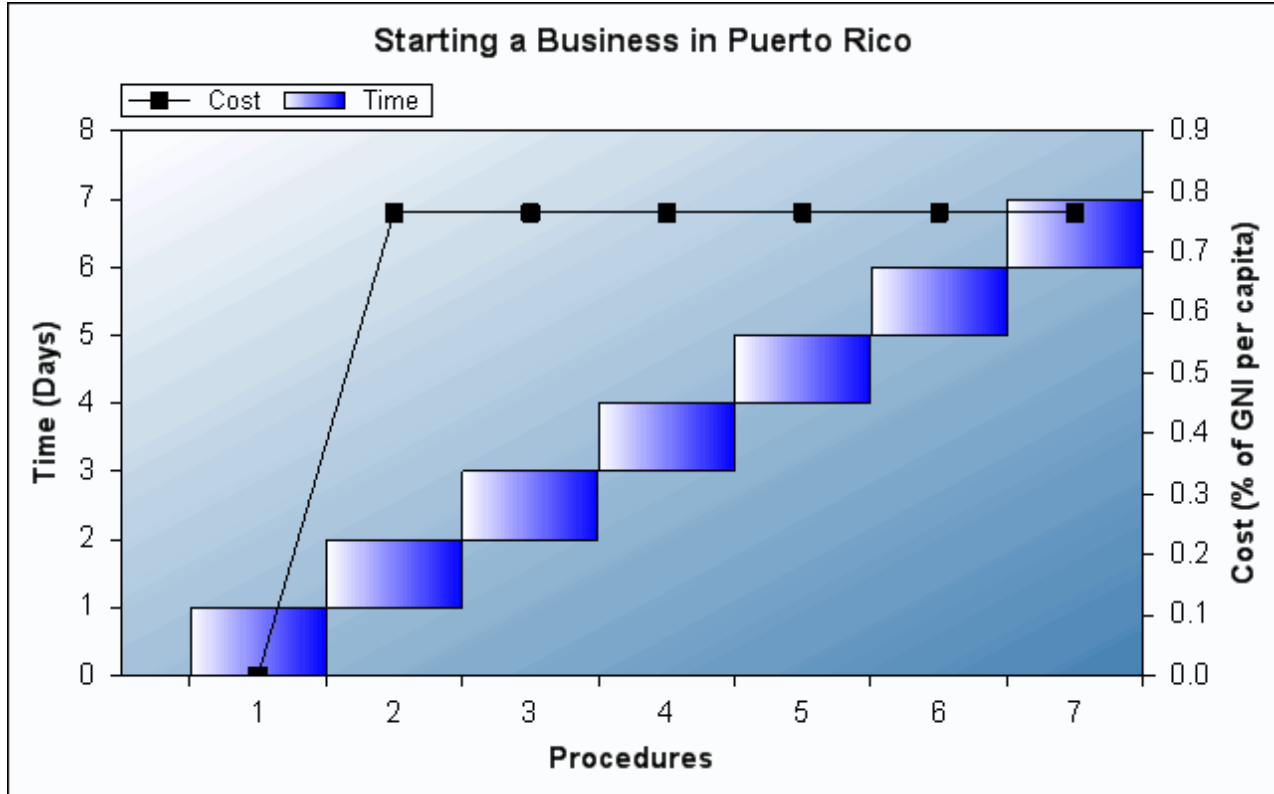
Starting a Business data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		8	7
Procedures (number)	7	7	7
Duration (days)	7	7	7
Cost (% GNI per capita)	1.0	0.8	0.8
Paid in Min. Capital (% of GNI per capita)	0.0	0.0	0.0

## 2. The following graph illustrates the Starting a Business indicators in Puerto Rico over the past 3 years:



### 3. Steps to Starting a Business in Puerto Rico

It requires 7 procedures, takes 7 days, and costs 0.77% GNI per capita to start a business in Puerto Rico.



#### List of Procedures:

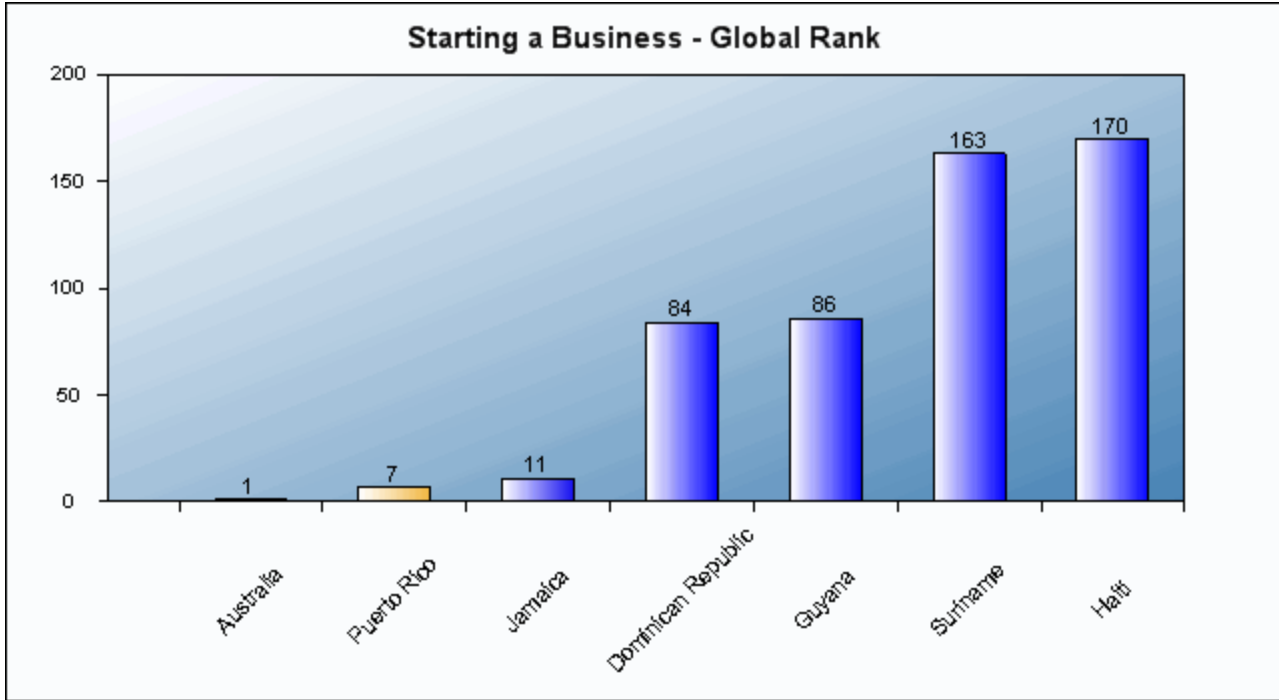
1. Check the uniqueness of the Company name
2. Register the company at the PR Department of State
3. Apply for an employer identification number (EIN)
4. Apply for a municipal business license
5. Request unemployment and disability account numbers
6. Subscribe to a workmen's insurance policy
7. File with the Registry of Merchants and Business

More details are available in the appendix.

#### 4. Benchmarking Starting a Business Regulations:

Puerto Rico is ranked 7 overall for Starting a Business. Australia is the top ranked economy followed by Canada, New Zealand and United States.

Ranking of Puerto Rico in Starting a Business - Compared to best practice and selected economies:



The following table shows Starting a Business data for Puerto Rico compared to best practice and comparator economies:

<b>Best Practice Economies</b>	<b>Procedures (number)</b>	<b>Duration (days)</b>	<b>Cost (% GNI per capita)</b>	<b>Paid in Min. Capital (% of GNI per</b>
<b>Australia*</b>	2	2		0.0
<b>Denmark</b>			0.0	

<b>Selected Economy</b>				
<b>Puerto Rico</b>	7	7	0.8	0.0

<b>Comparator Economies</b>				
<b>Dominican Republic</b>	9	22	31.1	0.0
<b>Guyana</b>	8	44	87.2	0.0
<b>Haiti</b>	12	202	133.9	32.2
<b>Jamaica</b>	6	8	8.7	0.0
<b>Suriname</b>	13	694	141.8	1.1

\* The following economies are also best practice economies for :

**Procedures (number):** **Canada, New Zealand**

**Paid in Min. Capital (% of GNI per capita):** **Canada, Ireland, Israel, Mauritius, New Zealand, Puerto Rico, Thailand, Trinidad and Tobago, United Kingdom, United States**



## Dealing with Licenses in Puerto Rico: Building a Warehouse

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Once entrepreneurs have registered a business, what regulations do they face in operating it? To measure such regulation, Doing Business focuses on the construction sector. Construction companies are under constant pressure—from government to comply with inspections and with licensing and safety regulations and from customers to be quick and cost-effective. These conflicting pressures point to the tradeoff in building regulation—the tradeoff between protecting people (construction workers, tenants, passersby) and keeping the cost of building affordable.

In many countries, especially poor ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally—leading to hazardous construction. In other countries compliance is simple, straightforward and inexpensive—yielding better results.

The indicators on dealing with licenses record all procedures officially required for an entrepreneur in the construction industry to build a warehouse. These include submitting project documents (building plans, site maps) to the authorities, obtaining all necessary licenses and permits, completing all required notifications and receiving all necessary inspections. They also include procedures for obtaining utility connections, such as electricity, telephone, water and sewerage. The time and cost to complete each procedure under normal circumstances are calculated. All official fees associated with legally completing the procedures are included. Time is recorded in calendar days. The survey assumes that the entrepreneur is aware of all existing regulations and does not use an intermediary to complete the procedures unless required to do so by law.

To make the data comparable across economies, several assumptions about the business and its operations are used. The business is a small to medium-size limited liability company, located in the most populous city, domestically owned and operated, in the construction business, with 20 qualified employees. The warehouse to be built:

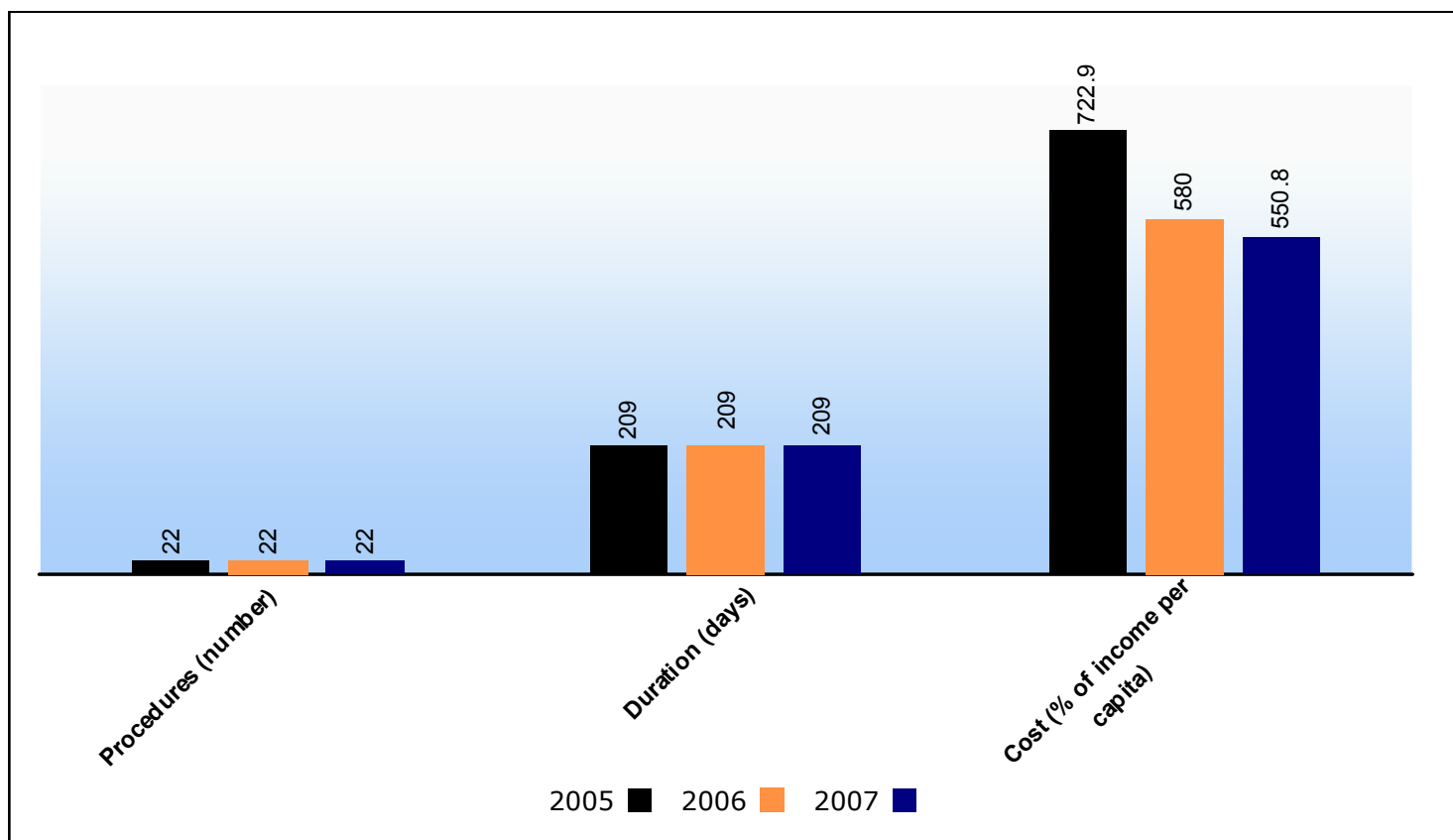
- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect.
- Will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each utility network will be 32 feet, 10 inches (10 meters) long.
- Will be used for general storage, such as of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

Where the regulatory burden is large, entrepreneurs move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off.

1. Historical data: Dealing with Licenses in Puerto Rico

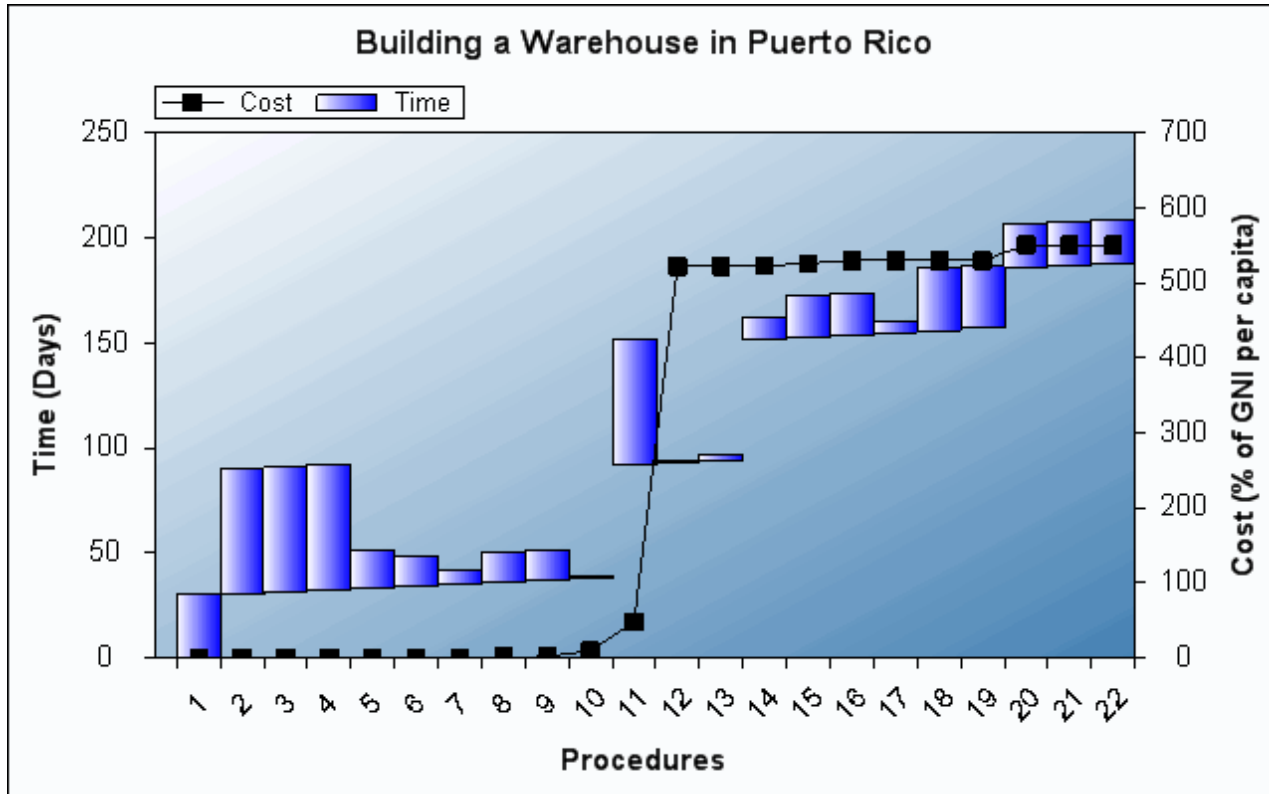
Dealing with Licenses data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		134	135
Procedures (number)	22	22	22
Duration (days)	209	209	209
Cost (% of income per capita)	722.9	580.0	550.8

2. The following graph illustrates the Dealing with Licenses indicators in Puerto Rico over the past 3 years:



### 3. Steps to Building a Warehouse in Puerto Rico

It requires 22 procedures, takes 209 days, and costs 550.83% GNI per capita to build a warehouse in Puerto Rico.



#### List of Procedures:

1. Request and obtain land use authorization from the ARPE (Regulations and Permits Authority)
2. Request and obtain legal endorsement from the Environmental Quality Board
3. Request and obtain legal endorsement from the Natural Resources Department
4. Request and obtain legal endorsement from the AAA (water and sewerage authority)
5. Request and obtain legal endorsement from the municipal government
6. Request and obtain legal endorsement from the PREPA (electric power authority)
7. Request and obtain legal endorsement from the PRTC (Puerto Rico Telephone Company)
8. Request and obtain approval from the Cultural Institute (Instituto Cultural)
9. Request and obtain approval from the Fire Department (bomberos)
10. Buy stamps and pay the College of Engineers and Architects
11. Submit construction drawings for approval to the ARPE (Regulations and Permits Authority) and obtain preliminary approval
12. Pay municipal construction tax

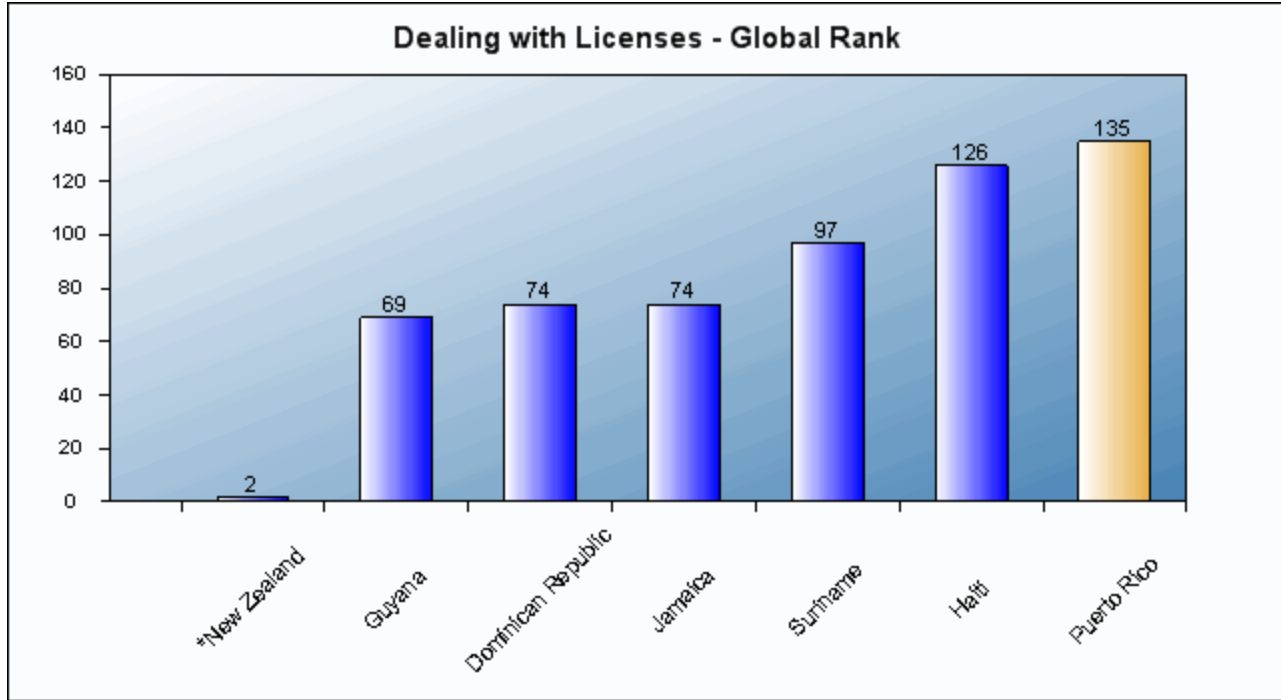
13. Request and obtain permit from the FSE (workers' compensation policy)
14. Request and obtain occupancy permit from the ARPE
15. Request and obtain final approval from the AAA (water and sewerage authority)
16. Request and obtain final approval from the PREPA (electric power authority)
17. Request and obtain final approval from the PRTC (Puerto Rico Telephone Company)
18. Request and obtain final approval from the Environmental Quality Board
19. Request and obtain final approval from the Natural Resources Department
20. Request and obtain water and sewerage connection from the AAA (water and sewerage authority)
21. Request and connect to electricity services through the PREPA (electric power authority)
22. Request and connect to telephone services through the PRTC (Puerto Rico Telephone Company)

More details are available in the appendix.

#### 4. Benchmarking Dealing with Licenses Regulations:

Puerto Rico is ranked 135 overall for Dealing with Licenses. St. Vincent and the Grenadines is the top ranked economy followed by New Zealand, Belize and Marshall Islands.

Ranking of Puerto Rico in Dealing with Licenses - Compared to best practice and selected economies:



\* The following economies are also best practice economies for Building a Warehouse: St. Vincent and the Grenadines

The following table shows Dealing with Licenses data for Puerto Rico compared to best practice and comparator economies:

<b>Best Practice Economies</b>	<b>Procedures (number)</b>	<b>Duration (days)</b>	<b>Cost (% of income per capita)</b>
Denmark	6		
Korea		34	
United Arab Emirates			1.5

<b>Selected Economy</b>			
<b>Puerto Rico</b>	<b>22</b>	<b>209</b>	<b>550.8</b>

<b>Comparator Economies</b>			
<b>Dominican Republic</b>	<b>17</b>	<b>214</b>	<b>116.1</b>
<b>Guyana</b>	<b>12</b>	<b>222</b>	<b>313.9</b>
<b>Haiti</b>	<b>11</b>	<b>1179</b>	<b>817.8</b>
<b>Jamaica</b>	<b>10</b>	<b>236</b>	<b>438.4</b>
<b>Suriname</b>	<b>14</b>	<b>431</b>	<b>158.0</b>

## Employing Workers in Puerto Rico: Labor Regulations

---

Every economy has established a complex system of laws and institutions intended to protect workers and guarantee a minimum standard of living for its population. This system encompasses four bodies of law: employment, industrial relations, social security and occupational health and safety laws. Doing Business examines government regulation in the area of employment and social security laws.

Three measures are presented: a rigidity of employment index, a nonwage labor cost measure and a firing cost measure. The rigidity of employment index is the average of three subindices: difficulty of hiring, rigidity of hours and difficulty of firing. Each index takes values between 0 and 100, with higher values indicating more rigid regulation. The difficulty of hiring index measures the flexibility of contracts and the ratio of the minimum wage to the value added per worker. The rigidity of hours index covers restrictions on weekend and night work, requirements relating to working time and the workweek, and mandated days of annual leave with pay. The difficulty of firing index covers workers' legal protections against dismissal, including the grounds permitted for dismissal and procedures for dismissal (individual and collective).

The nonwage labor cost covers all social security payments and payroll taxes associated with hiring an employee, expressed as a percentage of the worker's salary. The firing cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary.

The indicators on employment regulations are based on a detailed study of employment laws. Data are also gathered on the specific constitutional provisions governing the two areas studied. To ensure accuracy, both the actual laws and the applicable collective bargaining agreements are used. Finally, all data are verified and completed by local law firms through a detailed survey of employment regulations.

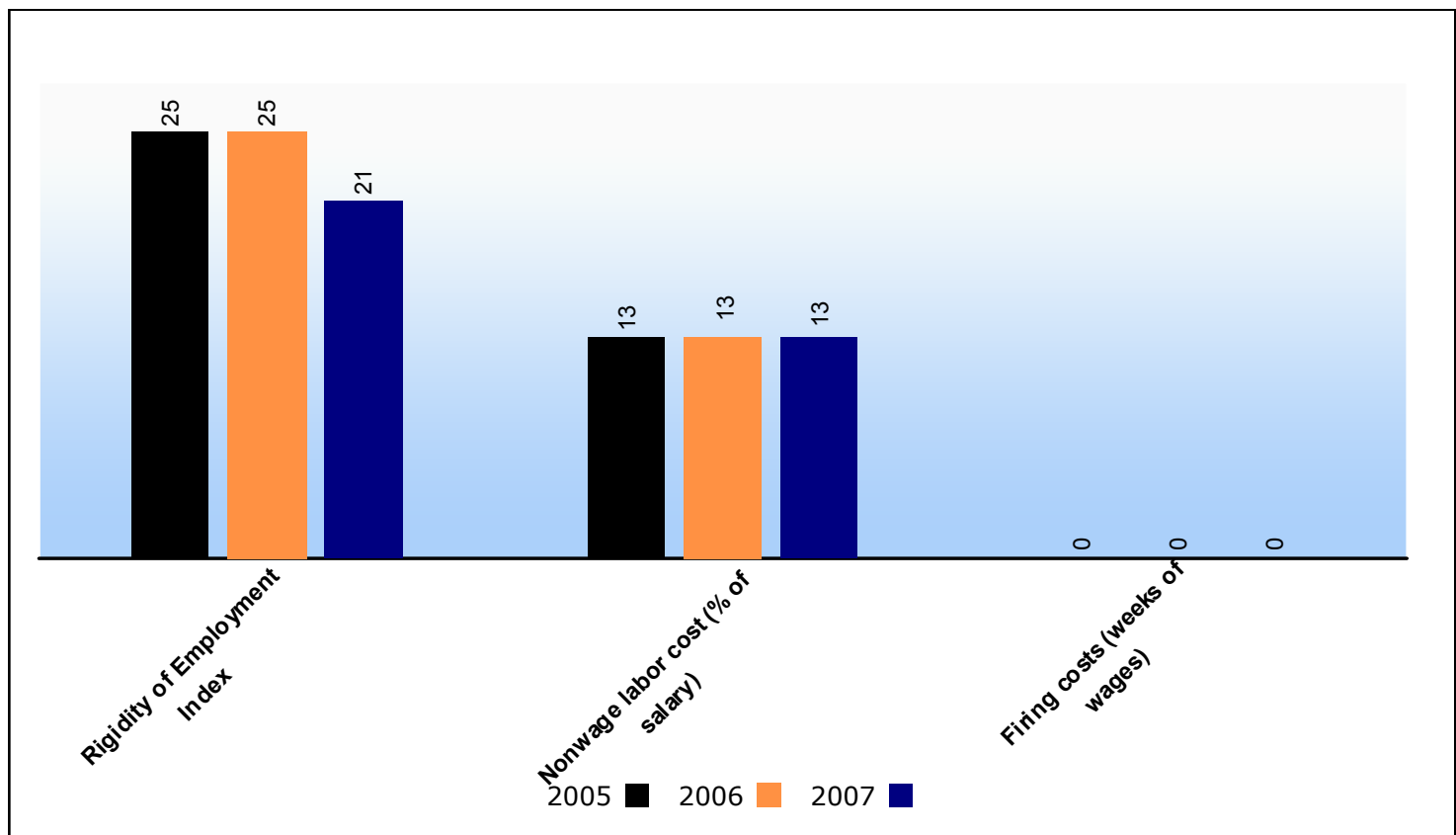
To make the data comparable across economies, a range of assumptions about the worker and the company are used. Assumptions about the worker include that he is a nonexecutive, full-time male employee who has worked in the same company for 20 years and is not a member of the labor union (unless membership is mandatory). The company is assumed to be a limited liability manufacturing corporation that operates in the country's most populous city, is 100% domestically owned and has 201 employees. The company is also assumed to be subject to collective bargaining agreements in countries where such agreements cover more than half the manufacturing sector and apply even to firms not party to them.

Most employment regulations are enacted in response to market failures. But that does not mean that today's regulations are optimal. Analysis across countries shows that while employment regulation generally increases the tenure and wages of incumbent workers, rigid regulations have many undesirable side effects. These include less job creation, smaller company size, less investment in research and development, and longer spells of unemployment and thus the obsolescence of skills—all of which may reduce productivity growth. Many countries err on the side of excessive rigidity, to the detriment of businesses and workers alike.

## 1. Historical data: Employing Workers in Puerto Rico

Employing Workers data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		38	32
Rigidity of Employment Index	25	25	21
Nonwage labor cost (% of salary)	13	13	13
Firing costs (weeks of wages)	0	0	0

2. The following graph illustrates the Employing Workers indicators in Puerto Rico over the past 3 years:





### 3. Benchmarking Employing Workers Regulations:

Puerto Rico is ranked 32 overall for Employing Workers. Marshall Islands is the top ranked economy followed by Brunei, Georgia and Tonga.

Ranking of Puerto Rico in Employing Workers - Compared to best practice and selected economies:



\* The following economies are also best practice economies for Employing Workers: Marshall Islands, Singapore

The following table shows Employing Workers data for Puerto Rico compared to best practice and comparator economies:

<b>Best Practice Economies</b>	<b>Rigidity of Employment Index</b>	<b>Nonwage labor cost (% of salary)</b>	<b>Firing costs (weeks of wages)</b>
Bangladesh*		0	
Denmark*			0
Hong Kong, China*	0		

<b>Selected Economy</b>			
<b>Puerto Rico</b>	21	13	0

<b>Comparator Economies</b>			
<b>Dominican Republic</b>	32	14	88
<b>Guyana</b>	24	8	56
<b>Haiti</b>	21	11	17
<b>Jamaica</b>	4	12	61
<b>Suriname</b>	23	0	26

\* The following economies are also best practice economies for :

**Rigidity of Employment Index: Singapore, United States**

**Nonwage labor cost (% of salary): Botswana, Ethiopia, Maldives**

**Firing costs (weeks of wages): New Zealand, United States**

## Registering Property in Puerto Rico: Regulation of Property Transfer

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Property registries were first developed to help raise tax revenue. Defining and publicizing property rights through registries has also proved to be good for entrepreneurs. Land and buildings account for between half and three-quarters of the wealth in most economies. Securing rights to this property strengthens incentives to invest and facilitates commerce. And with formal property titles, entrepreneurs can obtain mortgages on their home or land and start businesses.

Doing Business measures the ease of registering property based on a standard case of an entrepreneur who wants to purchase land and a building in the largest business city. It is assumed that the property is already registered and free of title dispute. The data cover the full sequence of procedures necessary to transfer the property title from the seller to the buyer. Every required procedure is included, whether it is the responsibility of the seller or the buyer or must be completed by a third party on their behalf.

Local property lawyers and officials in property registries provide information on required procedures as well as the time and cost to complete each one. For most countries the data are based on responses from both. Based on the responses, three indicators are constructed:

- Number of procedures to register property.
- Time to register property (in calendar days).
- Official costs to register property (as a percentage of the property value).

A large share of the property in developing countries is not formally registered, limiting financing opportunities for businesses. Recognizing this constraint, some developing country governments have embarked on extensive property titling programs. Yet bringing assets into the formal sector is of little value unless they stay there.

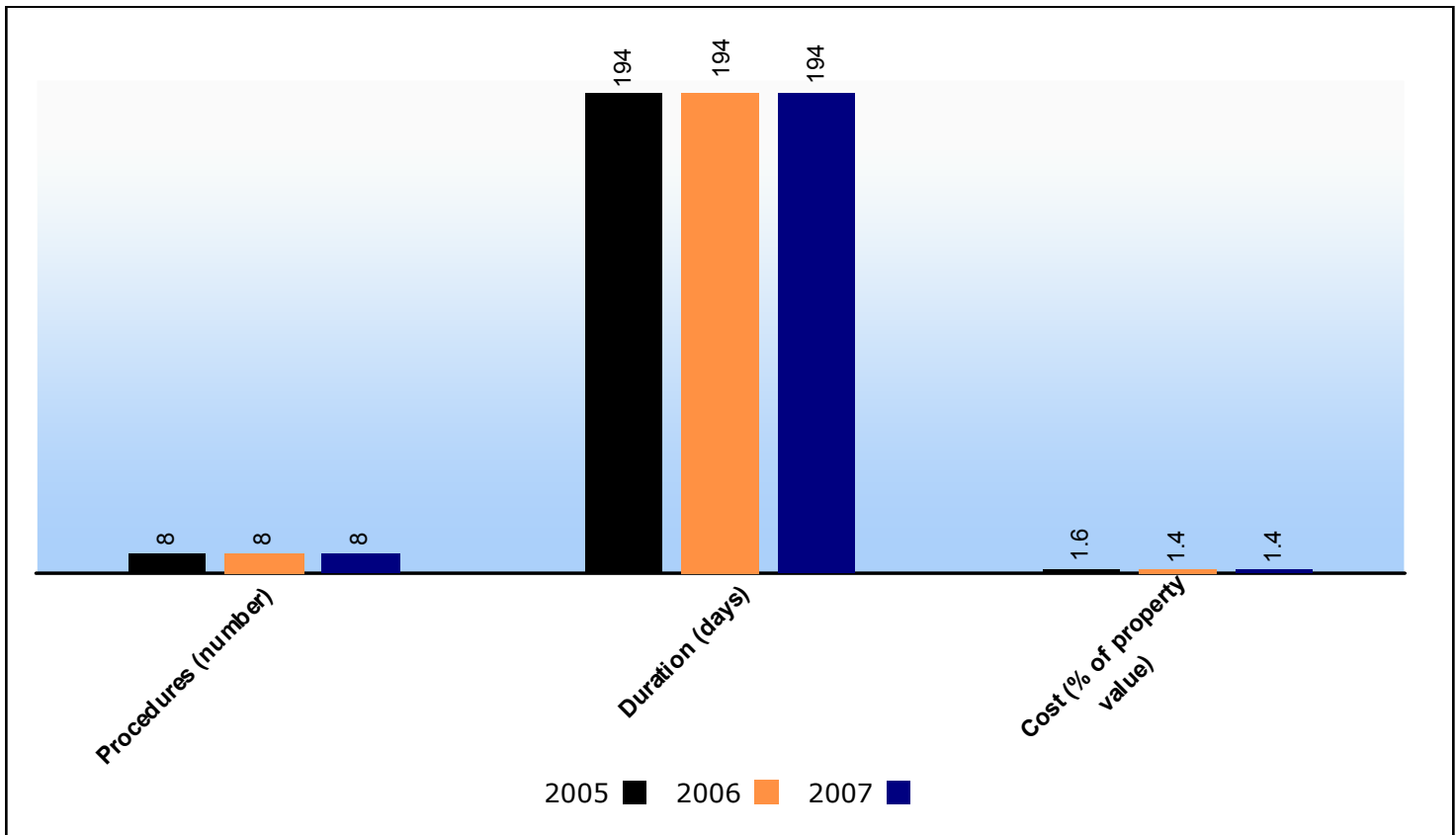
Many titling programs in Africa were futile because people bought and sold property informally—neglecting to update the title records in the property registry. Why? Doing Business shows that completing a simple formal property transfer in the largest business city of an African country costs 12% of the value of the property and takes more than 100 days on average. Worse, the property registries are so poorly organized that they provide little security of ownership. For both reasons, formalized titles quickly go informal again.

Efficient property registration reduces transaction costs and helps keep formal titles from slipping into informal status. Simple procedures to register property are also associated with greater perceived security of property rights and less corruption. That benefits all entrepreneurs, especially women, the young and the poor. The rich have few problems protecting their property rights. They can afford to invest in security systems and other measures to defend their property. But small entrepreneurs cannot. Reform can change this.

1. Historical data: Registering Property in Puerto Rico

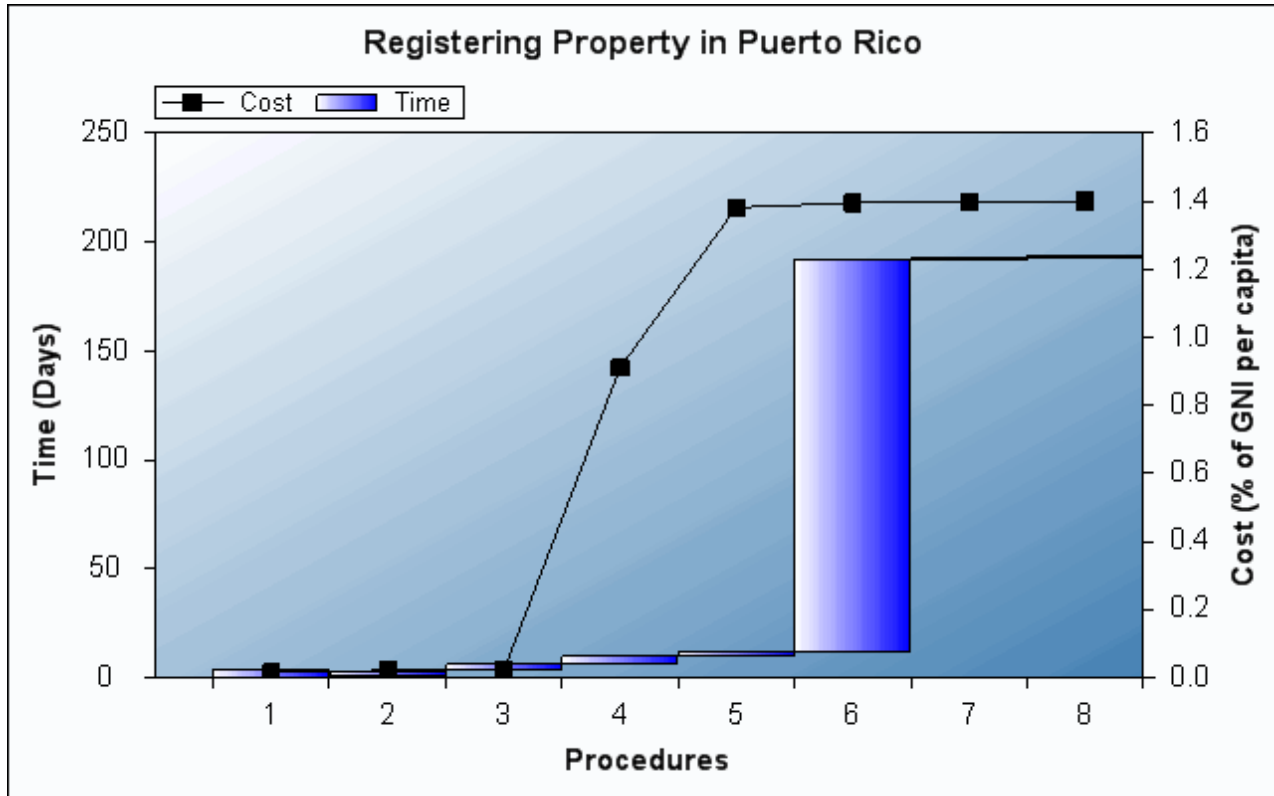
Registering Property data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		116	117
Procedures (number)	8	8	8
Duration (days)	194	194	194
Cost (% of property value)	1.6	1.4	1.4

2. The following graph illustrates the Registering Property indicators in Puerto Rico over the past 3 years:



### 3. Steps to Registering Property in Puerto Rico

It requires 8 procedures, takes 194 days, and costs 1.40% GNI per capita to register the property in Puerto Rico.



#### List of Procedures:

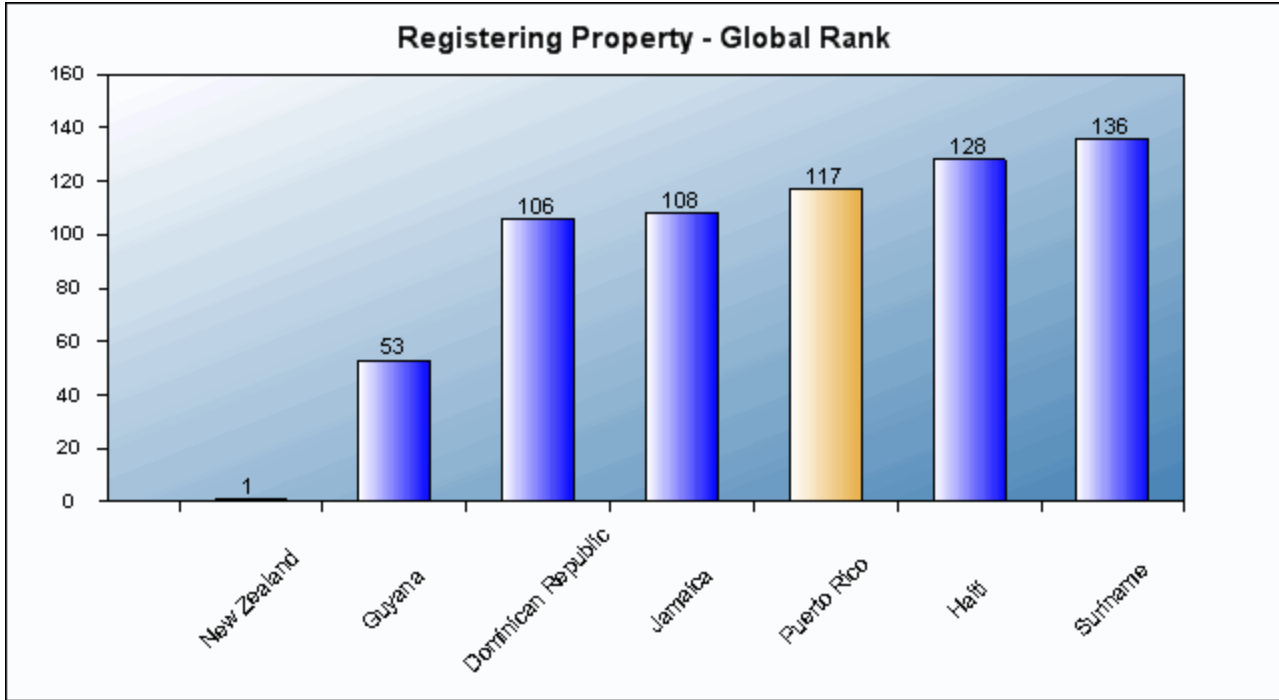
1. Obtain a property title report at the Property Registry
2. Obtain a property tax certificate from the Municipal Revenues Collection Center (CRIM)
3. Obtain Title Commitment for Title Insurance
4. The notary public prepares and authorizes and the parties execute the purchase and sale deed
5. Purchase Internal Revenue Stamps and Registry of Property filling vouchers
6. File the deed at the Registry of Property
7. File the notice of sale with the Treasury Department
8. File the notice of change of owner with the CRIM

More details are available in the appendix.

#### 4. Benchmarking Registering Property Regulations:

Puerto Rico is ranked 117 overall for Registering Property. New Zealand is the top ranked economy followed by Armenia, Saudi Arabia and Lithuania.

Ranking of Puerto Rico in Registering Property - Compared to best practice and selected economies:



The following table shows Registering Property data for Puerto Rico compared to best practice and comparator economies:

<b>Best Practice Economies</b>	<b>Procedures (number)</b>	<b>Duration (days)</b>	<b>Cost (% of property value)</b>
<b>New Zealand*</b>		2	
<b>Norway*</b>	1		
<b>Saudi Arabia*</b>			0.0

<b>Selected Economy</b>			
<b>Puerto Rico</b>	8	194	1.4

<b>Comparator Economies</b>			
<b>Dominican Republic</b>	7	60	5.1
<b>Guyana</b>	6	34	4.5
<b>Haiti</b>	5	405	6.5
<b>Jamaica</b>	5	54	13.5
<b>Suriname</b>	4	193	13.7

\* The following economies are also best practice economies for :

**Procedures (number): Sweden**

**Duration (days): Sweden, Thailand**

**Cost (% of property value): Bhutan**

## Getting Credit in Puerto Rico: Legal Rights and Credit Information

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Firms consistently rate access to credit as among the greatest barriers to their operation and growth. Doing Business constructs two sets of indicators of how well credit markets function—one on credit registries and the other on legal rights of borrowers and lenders.

Credit registries—institutions that collect and distribute credit information on borrowers—can greatly expand access to credit. By sharing credit information, they help lenders assess risk and allocate credit more efficiently. And they free entrepreneurs from having to rely on personal connections alone when trying to obtain credit. Three indicators are constructed to measure the sharing of credit information:

- Public registry coverage, which reports the number of individuals and firms covered by a public credit registry as a percentage of the adult population.
- Private bureau coverage, which reports the number of individuals and firms covered by a private credit bureau as a percentage of the adult population.
- Depth of credit information index, which measures the extent to which the rules of a credit information system facilitate lending based on the scope of information distributed, the ease of access to information and the quality of information.

The data are from surveys of public registries and the largest private credit bureau in the country.

Effective regulation of secured lending—through collateral and bankruptcy laws—can also ease credit constraints. By giving a lender the right to seize and sell a borrower's secured assets upon default, collateral limits the lender's potential losses and acts as a screening device for borrowers. The strength of legal rights index measures 10 aspects of the rights of borrowers and creditors in collateral and bankruptcy laws, including whether:

- General rather than specific description of assets and debt is permitted in collateral agreements (expanding the scope of assets and debt covered).
- Any legal or natural person may grant or take security in assets.
- A unified registry operates that includes charges over movable property.
- Secured creditors have priority both within bankruptcy and outside it.
- Parties may agree on out-of-court enforcement of collateral by contract.
- Creditors may both seize and sell collateral out of court, no automatic stay or “asset freeze” applies upon bankruptcy, and the bankrupt debtor does not retain control of the firm.

The index ranges from 0 (weak legal rights) to 10 (strong legal rights). The data were obtained by examining collateral and bankruptcy laws and legal summaries and verified through a survey of financial lawyers.

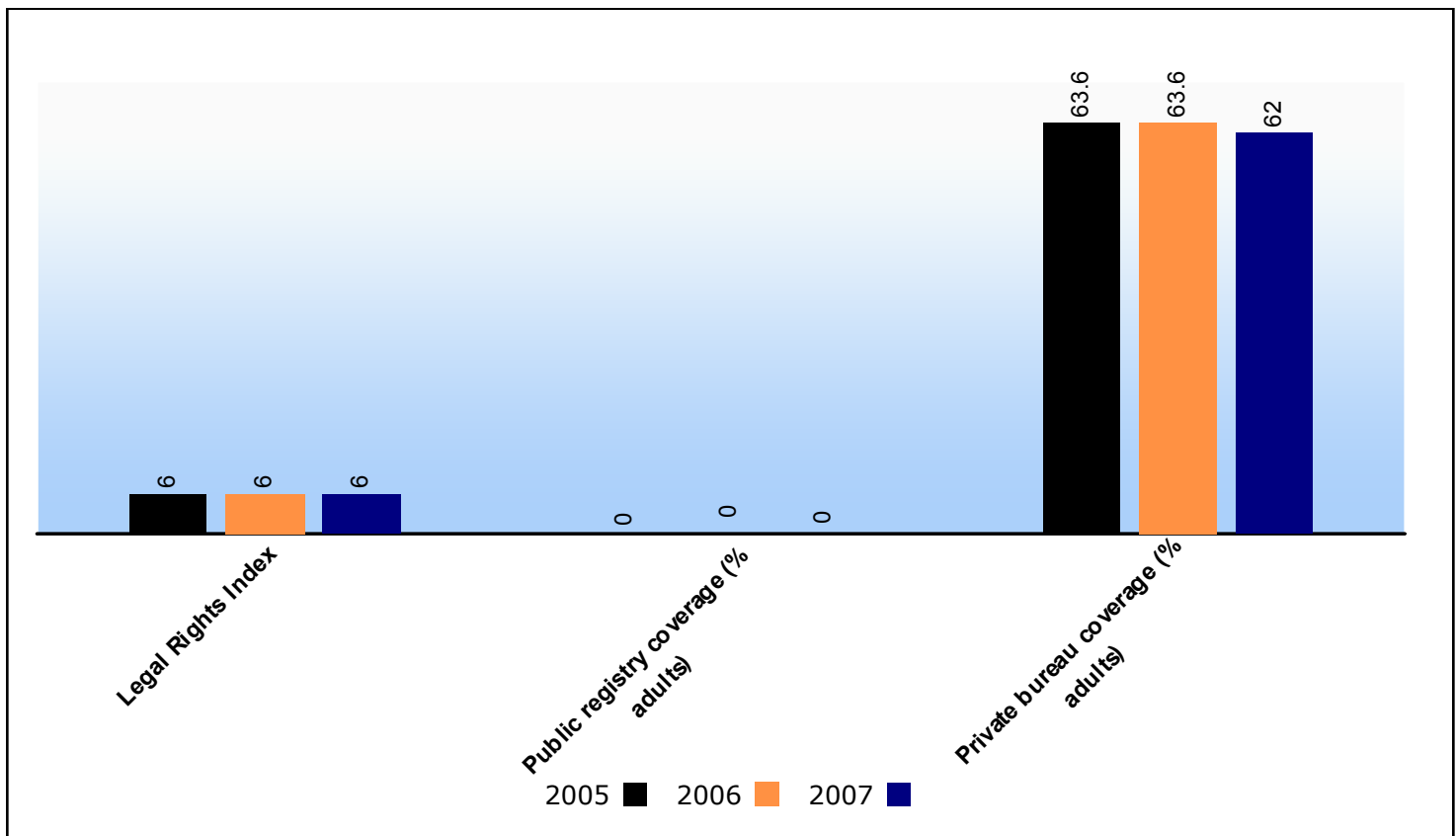
Where good-quality credit information is available and legal rights are stronger, more credit is extended. Benefits flow beyond those gaining access to credit. With better-functioning credit markets, unemployment is lower, and women and low-income people benefit the most.



1. Historical data: Getting Credit in Puerto Rico

Getting Credit data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		21	26
Legal Rights Index	6	6	6
Public registry coverage (% adults)	0.0	0.0	0.0
Private bureau coverage (% adults)	63.6	63.6	62.0

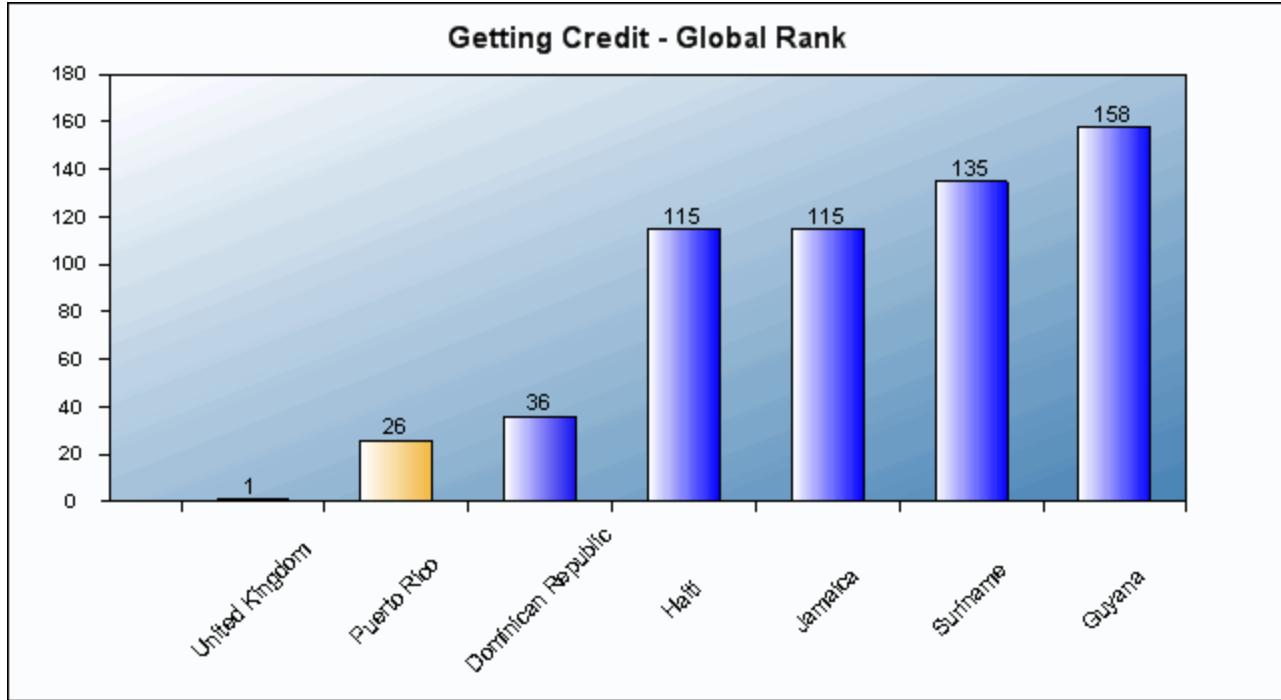
2. The following graph illustrates the Getting Credit indicators in Puerto Rico over the past 3 years:



### 3. Benchmarking Getting Credit Regulations:

Puerto Rico is ranked 26 overall for Getting Credit. United Kingdom is the top ranked economy followed by Hong Kong, China, Germany and Australia.

Ranking of Puerto Rico in Getting Credit - Compared to best practice and selected economies:



The following table shows Getting Credit data for Puerto Rico compared to best practice and comparator economies:

<b>Best Practice Economies</b>	<b>Legal Rights Index</b>	<b>Public registry coverage (%)</b>	<b>Private bureau coverage (%)</b>
<b>Argentina*</b>			100.0
<b>Hong Kong, China*</b>	10		
<b>Portugal</b>		67.1	

<b>Selected Economy</b>			
<b>Puerto Rico</b>	6	0.0	62.0

<b>Comparator Economies</b>			
<b>Dominican Republic</b>	4	13.3	35.4
<b>Guyana</b>	3	0.0	0.0
<b>Haiti</b>	3	0.7	0.0
<b>Jamaica</b>	5	0.0	0.0
<b>Suriname</b>	4	0.0	0.0

\* The following economies are also best practice economies for :

**Legal Rights Index: United Kingdom**

**Private bureau coverage (% adults): Australia, Canada, Iceland, Ireland, New Zealand, Nicaragua, Norway, Sweden, United States**

## Protecting Investors in Puerto Rico

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Officials at Elf Aquitaine, France's largest oil company, awarded business deals in return for large side payments. Along with the extra cash, they got seven years in jail and a €2 million fine for abuse of power. Russian oil firm Gazprom purchased materials for new pipelines through intermediaries owned by company officers. The high cost raised eyebrows, but not court battles.

Big cases make headlines. But looting by corporate insiders occurs every day on a smaller scale, and often goes unnoticed. To document the protections investors have, Doing Business measures how countries regulate a standard case of self-dealing—use of corporate assets for personal gain.

The case facts are simple. Mr. James, a director and the majority shareholder of a public company, proposes that the company purchase used trucks from another company he owns. The price is higher than the going price for used trucks. The transaction goes forward. All required approvals are obtained, and all required disclosures made, though the transaction is unfair to the purchasing company. Shareholders sue the interested parties and the members of the board of directors.

Several questions arise. Who approves the transaction? What information must be disclosed? What company documents can investors access? What do minority shareholders have to prove to get the transaction stopped or to receive compensation from Mr. James? Three indices of investor protection are constructed based on the answers to these and other questions. All indices range from 0 to 10, with higher values indicating more protections or greater disclosure.

The extent of disclosure index covers approval procedures, requirements for immediate disclosure to the public and shareholders of proposed transactions, requirements for disclosure in periodic filings and reports and the availability of external review of transactions before they take place.

The extent of director liability index covers the ability of investors to hold Mr. James and the board of directors liable for damages, the ability to rescind the transaction, the availability of fines and jail time associated with self-dealing, the availability of direct or derivative suits and the ability to require Mr. James to pay back his personal profits from the transaction.

The ease of shareholder suits index covers the availability of documents that can be used during trial, the ability of the investor to examine the defendant and other witnesses, shareholders' access to internal documents of the company, the appointment of an inspector to investigate the transaction and the standard of proof applicable to a civil suit against the directors.

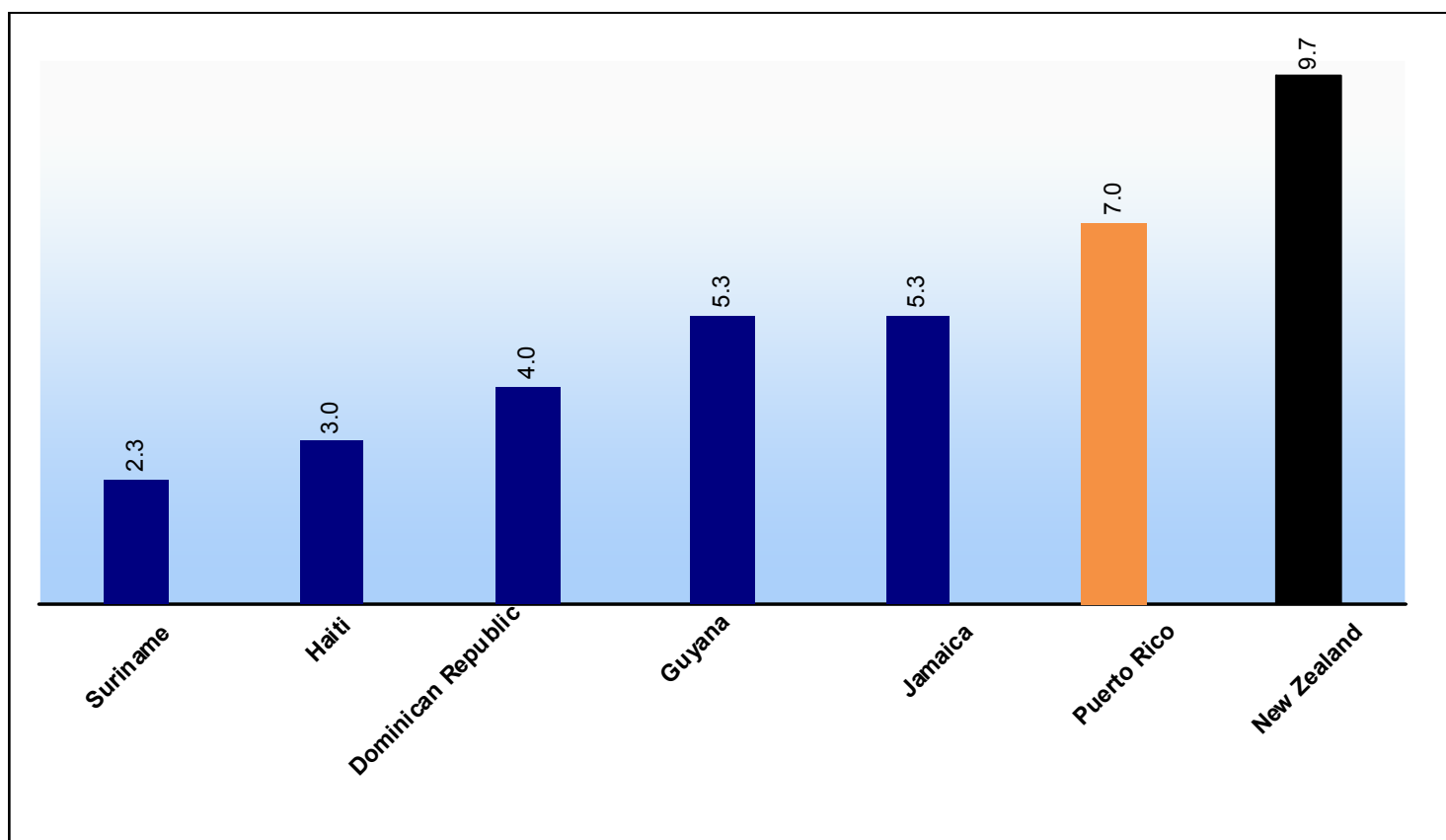
These three indices are averaged to create the strength of investor protection index. This index ranges from 0 to 10, with higher values indicating better investor protection.

If the rights of investors are not protected, majority ownership in a business is the only way to eliminate expropriation. But then investors must devote more oversight attention to fewer investments. The result: entrepreneurship is suppressed, and fewer profitable investment projects are undertaken. Where self-dealing is curbed, equity investment is higher, ownership concentration lower and trust in the business sector deeper. Investors gain portfolio diversification, and entrepreneurs gain access to cash.

## 1. Historical data: Protecting Investors in Puerto Rico

Protecting Investors data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		12	12
Investor Protection Index	7.0	7.0	7.0

2. The following graph illustrates the Protecting Investors index in Puerto Rico compared to best practice and selected Economies:

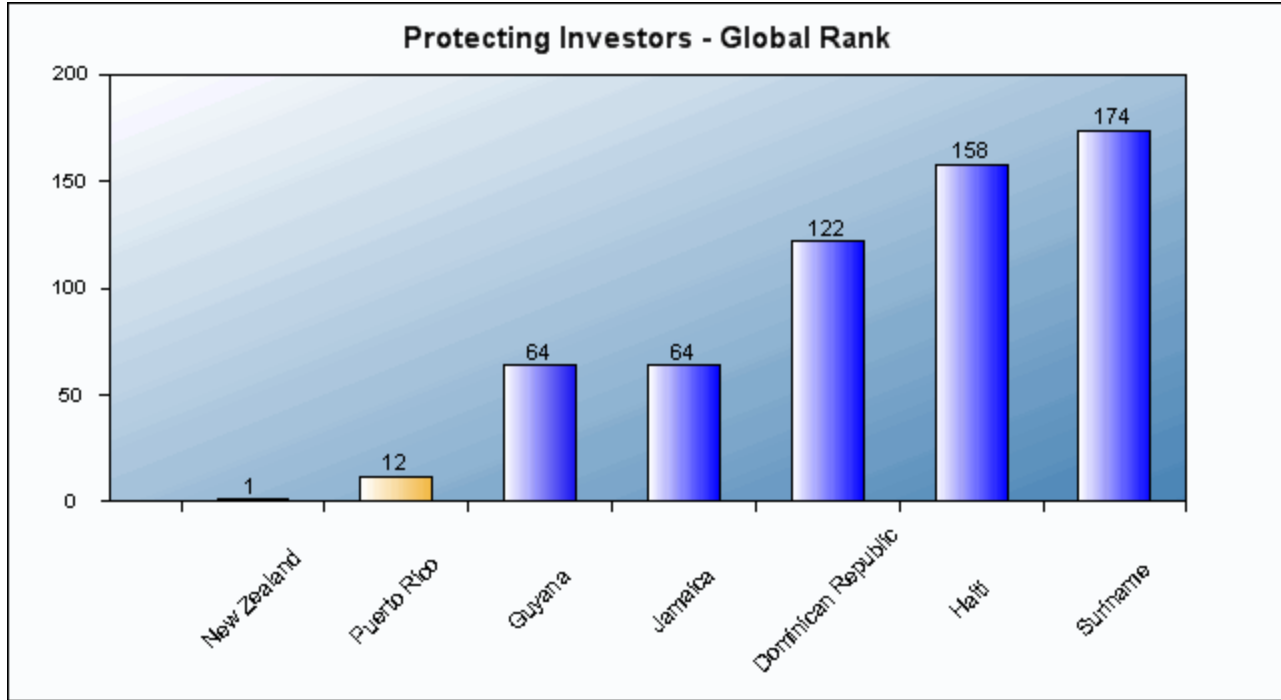


**Note:** The higher the score, the greater the investor protection.

### 3. Benchmarking Protecting Investors Regulations:

Puerto Rico is ranked 12 overall for Protecting Investors. New Zealand is the top ranked economy followed by Singapore, Hong Kong, China and Malaysia.

Ranking of Puerto Rico in Protecting Investors - Compared to best practice and selected economies:



The following table shows Protecting Investors data for Puerto Rico compared to best practice and comparator economies:

<b><i>Best Practice Economies</i></b>	<b>Investor Protection Index</b>
<b>New Zealand</b>	9.7

<b><i>Selected Economy</i></b>	
<b>Puerto Rico</b>	7.0

<b><i>Comparator Economies</i></b>	
<b>Dominican Republic</b>	4.0
<b>Guyana</b>	5.3
<b>Haiti</b>	3.0
<b>Jamaica</b>	5.3
<b>Suriname</b>	2.3

## Paying Taxes: Tax Payable and Compliance in Puerto Rico

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Taxes are essential. Without them there would be no money to fund schools, hospitals, courts, roads, water, waste collection and other public services that help businesses to be more productive. Still, there are good ways and bad ways to collect taxes.

The Doing Business tax survey records the effective tax that a company must pay and the administrative costs of doing so. Imagine a medium-size business, TaxpayerCo, that started operations last year. Doing Business asked accountants in 178 economies to review TaxpayerCo's financial statements and a standard list of transactions the company completed during the year. Respondents were asked how much tax the business must pay and what the process is for doing so.

The business starts from the same financial position in each country. All the taxes and contributions paid during the second year of operation are recorded. Taxes and contributions are measured at all levels of government and include corporate income tax, turnover tax, all labor contributions paid by the company (including mandatory contributions paid to private pension or insurance funds), property tax, property transfer tax, dividend tax, capital gains tax, financial transactions tax, vehicle tax and other small taxes (such as fuel tax, stamp duty and local taxes). A range of standard deductions and exemptions are also recorded.

Three indicators are constructed:

- Number of tax payments, which takes into account the method of payment or withholding, the frequency of payment or withholding and the number of agencies involved for the standard case.
- Time, which measures the hours per year necessary to prepare, file and pay the corporate income tax, value added or sales tax and labor taxes.
- Total tax rate, which measures the amount of taxes payable by the company during the second year of operation. This amount, expressed as a percentage of commercial profit, is the sum of all the different taxes payable after accounting for various deductions and exemptions.

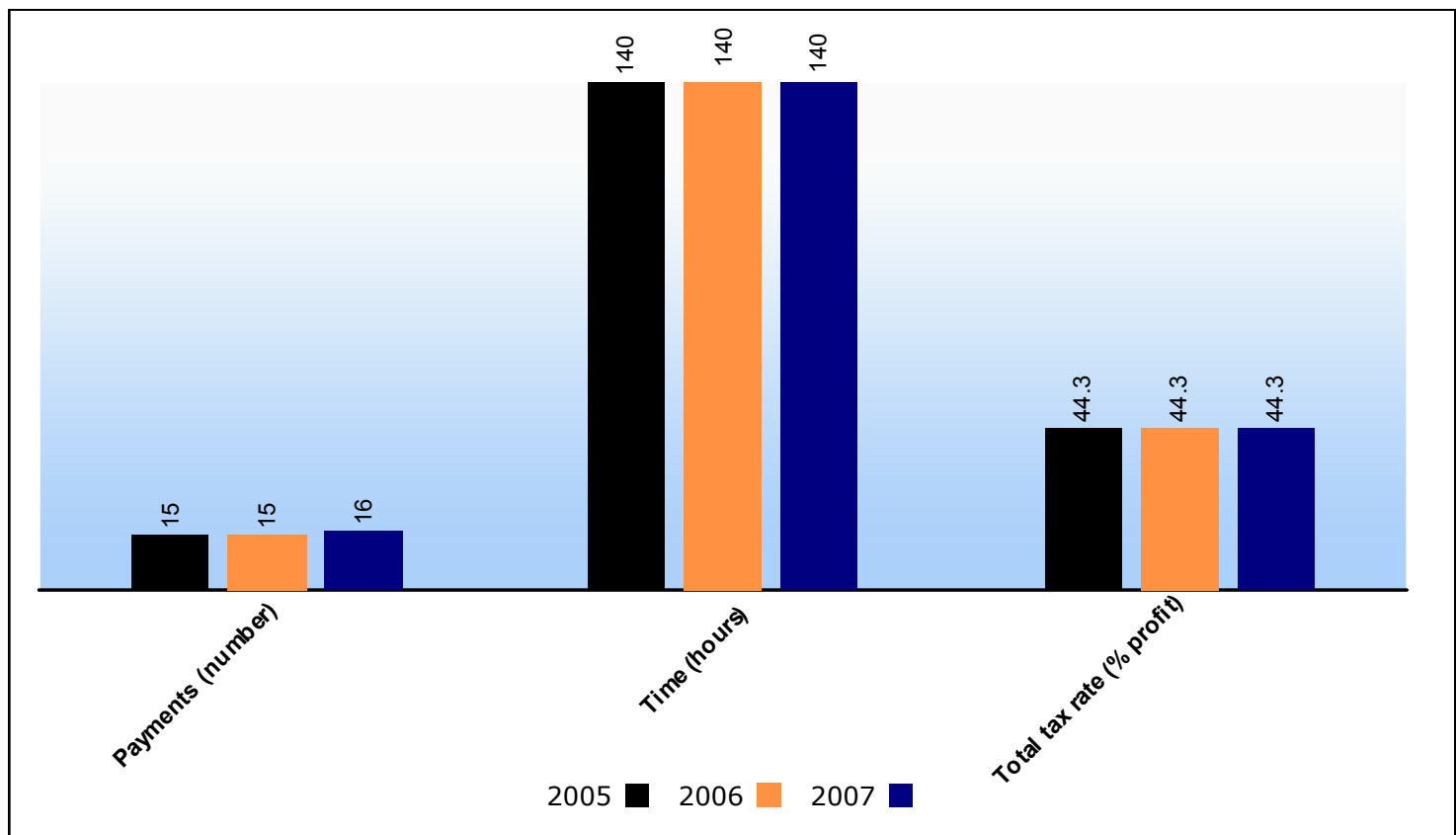
Businesses care about what they get for their taxes and contributions, such as the quality of infrastructure and social services. Poor countries tend to use businesses as a collection point for taxes. Rich countries tend to have lower tax rates and less complex tax systems. And rich countries get more from their taxes. Simple, moderate taxes and fast, cheap administration mean less hassle for businesses—and also more revenue collected and better public services. More burdensome tax regimes create an incentive to evade taxes.



## 1. Historical data: Paying Taxes in Puerto Rico

Paying Taxes data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		39	39
Time (hours)	140	140	140
Total tax rate (% profit)	44.3	44.3	44.3
Payments (number)	15	15	16

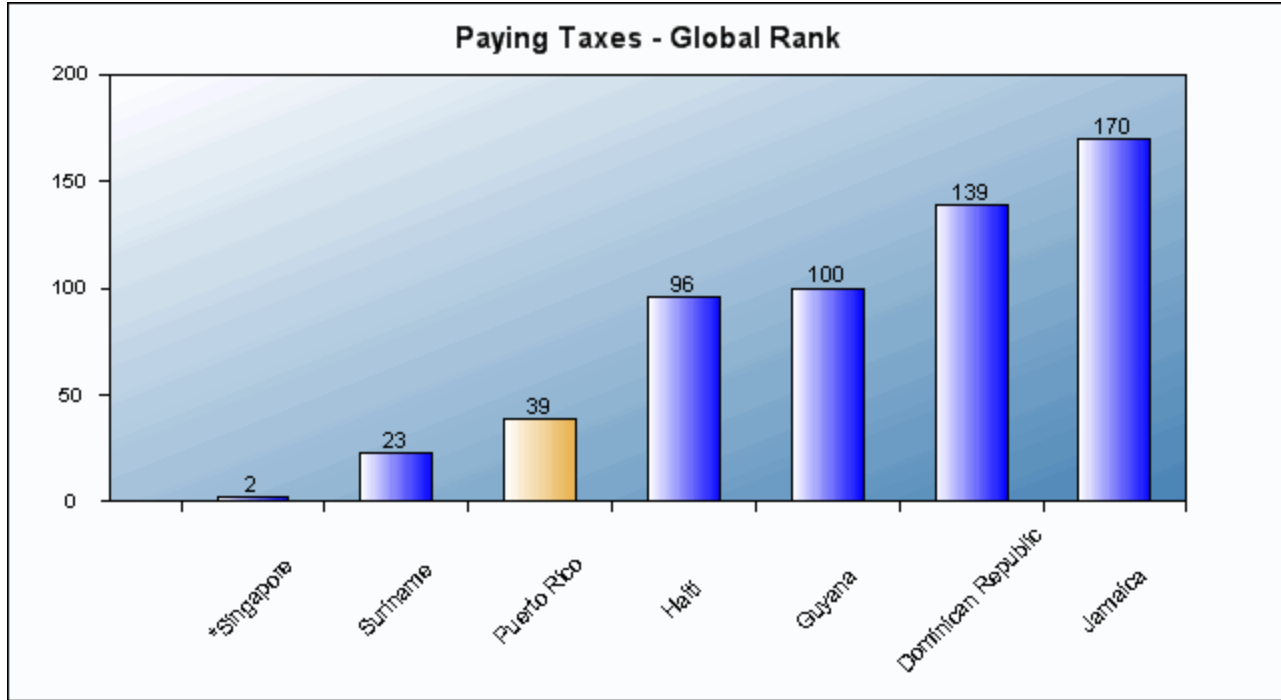
2. The following graph illustrates the Paying Taxes indicators in Puerto Rico over the past 3 years:



### 3. Benchmarking Paying Taxes Regulations:

Puerto Rico is ranked 39 overall for Paying Taxes. Maldives is the top ranked economy followed by Singapore, Hong Kong, China and United Arab Emirates.

Ranking of Puerto Rico in Paying Taxes - Compared to best practice and selected economies:



\* The following economies are also best practice economies for Paying Taxes: Maldives

The following table shows Paying Taxes data for Puerto Rico compared to best practice and comparator economies:

<i>Best Practice Economies</i>	<b>Payments (number)</b>	<b>Time (hours)</b>	<b>Total tax rate (% profit)</b>
Sweden*	2		
United Arab Emirates*		12	
Vanuatu			8.4

<i>Selected Economy</i>			
<b>Puerto Rico</b>	16	140	44.3

<i>Comparator Economies</i>			
<b>Dominican Republic</b>	74	286	40.2
<b>Guyana</b>	34	288	39.0
<b>Haiti</b>	53	160	40.0
<b>Jamaica</b>	72	414	51.3
<b>Suriname</b>	17	199	27.9

\* The following economies are also best practice economies for :

**Payments (number): Maldives**

**Time (hours): Maldives**

## Trading Across Borders: Importing and Exporting from Puerto Rico

---

The benefits of trade are well documented—as are the obstacles to trade. Tariffs, quotas and distance from large markets greatly increase the cost of goods or prevent trading altogether. But with faster ships and bigger planes, the world is shrinking. Global and regional agreements have brought down trade barriers. Yet Africa's share of global trade is smaller today than it was 25 years ago. So is the Middle East's, excluding oil exports. The reason is simple: many entrepreneurs face numerous hurdles to exporting or importing goods. They often give up. Others never try.

Doing Business compiles procedural requirements for trading a standard shipment of goods by ocean transport. Every official procedure—and the associated documents, time and cost—for importing and exporting the goods is recorded, starting with the contractual agreement between the two parties and ending with delivery of the goods. For importing the goods, the procedures measured range from the vessel's arrival at the port of entry to the shipment's delivery at the factory warehouse. For exporting the goods, the procedures measured range from the packing of the goods at the factory to their departure from the port of exit.

To make the data comparable across countries, several assumptions about the business and the traded goods are used. The business is of medium size, with 100 or more employees, and is located in the periurban area of the country's most populous city. It is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the country. The traded goods are ordinary, legally manufactured products, and they travel in a dry-cargo, 20-foot FCL (full container load) container.

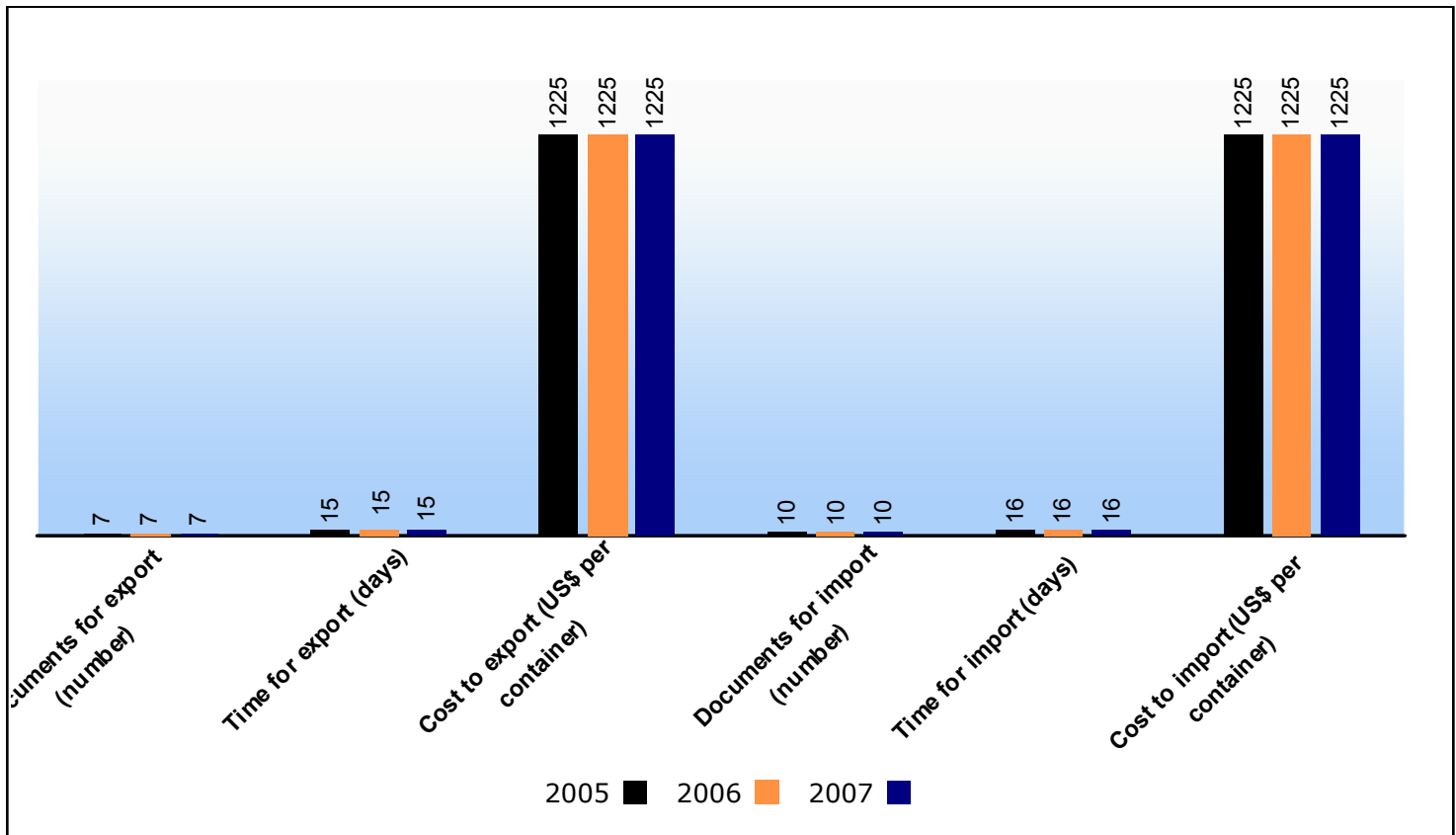
Documents recorded include port filing documents, customs declaration and clearance documents, and official documents exchanged between the concerned parties. Time is recorded in calendar days, from start to finish of each procedure. Cost measures the fees levied on a 20-foot container in U.S. dollars. All the fees associated with completing the procedures to export or import the goods are included, such as costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or trade taxes.

Countries that have efficient customs, good transport networks and fewer document requirements—making compliance with export and import procedures faster and cheaper—are more competitive globally. That leads to more exports—and exports are associated with faster growth and more jobs. Conversely, a need to file many documents is associated with more corruption in customs. Faced with long delays and frequent demands for bribes, many traders avoid customs altogether. Instead, they smuggle goods across the border. That defeats the very purpose in having border control of trade—to levy taxes and ensure high quality of goods.

## 1. Historical data: Trading Across Borders in Puerto Rico

Trading Across Borders data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		85	95
Documents for export (number)	7	7	7
Time for export (days)	15	15	15
Cost to export (US\$ per container)	1225	1225	1225
Documents for import (number)	10	10	10
Time for import (days)	16	16	16
Cost to import (US\$ per container)	1225	1225	1225

2. The following graph illustrates the Trading Across Borders indicators in Puerto Rico over the past 3 years:



### 3. Benchmarking Trading Across Borders Regulations:

Puerto Rico is ranked 95 overall for Trading Across Borders. Singapore is the top ranked economy followed by Denmark, Hong Kong, China and Norway.

Ranking of Puerto Rico in Trading Across Borders - Compared to best practice and selected economies:



The following table shows Trading Across Borders data for Puerto Rico compared to best practice and comparator economies:

<i>Best Practice Economies</i>	Documents for export (number)	Time for export (days)	Cost to export (US\$ per)	Documents for import (number)	Time for import (days)	Cost to import (US\$ per)
Canada*	3					
China			390			
Denmark*		5		3		
Singapore					3	367

<i>Selected Economy</i>						
<b>Puerto Rico</b>	<b>7</b>	<b>15</b>	<b>1225</b>	<b>10</b>	<b>16</b>	<b>1225</b>

<i>Comparator Economies</i>						
<b>Dominican Republic</b>	<b>6</b>	<b>12</b>	<b>815</b>	<b>7</b>	<b>13</b>	<b>1015</b>
<b>Guyana</b>	<b>7</b>	<b>30</b>	<b>850</b>	<b>8</b>	<b>35</b>	<b>856</b>
<b>Haiti</b>	<b>8</b>	<b>52</b>	<b>1650</b>	<b>10</b>	<b>53</b>	<b>1860</b>
<b>Jamaica</b>	<b>6</b>	<b>21</b>	<b>1750</b>	<b>6</b>	<b>22</b>	<b>1350</b>
<b>Suriname</b>	<b>8</b>	<b>25</b>	<b>905</b>	<b>7</b>	<b>25</b>	<b>815</b>

\* The following economies are also best practice economies for :

Documents for export (number): **Estonia, Micronesia, Panama**

Time for export (days): **Estonia, Singapore**

Documents for import (number): **Sweden**

## Enforcing Contracts: Court Efficiency in Puerto Rico

---

Where contract enforcement is efficient, businesses are more likely to engage with new borrowers or customers. Doing Business tracks the efficiency of the judicial system in resolving a commercial dispute, following the step-by-step evolution of a commercial sale dispute before local courts. The data are collected through study of the codes of civil procedure and other court regulations as well as surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

The dispute, between two businesses (the Seller and the Buyer) located in the country's most populous city, concerns a contract for the sale of goods. The Seller agrees to deliver the goods, worth 200% of the country's income per capita, to the Buyer.

After receiving and inspecting the goods, the Buyer concludes that their quality is inadequate. The Buyer sends the goods back without paying for them. The Seller disagrees and argues that their quality is adequate. The Seller seeks full payment from the Buyer, arguing that the goods cannot be sold to a third party because they were custom-made for the Buyer. The Seller sues the Buyer before the court in the most populous city to recover the amount due under the sales agreement (200% of the country's income per capita).

Three indicators of the efficiency of commercial contract enforcement are developed:

- Number of procedures, which includes all those that demand interaction between the parties or between them and the judge or court officer.
- Time, which counts the number of days from the moment the plaintiff files the lawsuit in court until the moment of payment. This measure includes both the days on which actions take place and the waiting periods between actions.
- Cost, which measures the official cost of going through court procedures, expressed as a percentage of the claim (assumed to be equivalent to 200% of income per capita). The cost includes court costs, enforcement costs and attorney fees where the use of attorneys is mandatory or common.

Businesses that have little or no access to efficient courts must rely on other mechanisms, both formal and informal—such as trade associations, social networks, credit bureaus or private information channels—to decide whom to do business with and under what conditions. Or they might adopt a conservative approach to business, dealing only with a small group of people linked through kinship, ethnic origin or previous dealings and structuring transactions to forestall disputes. In either case economic and social value may be lost.

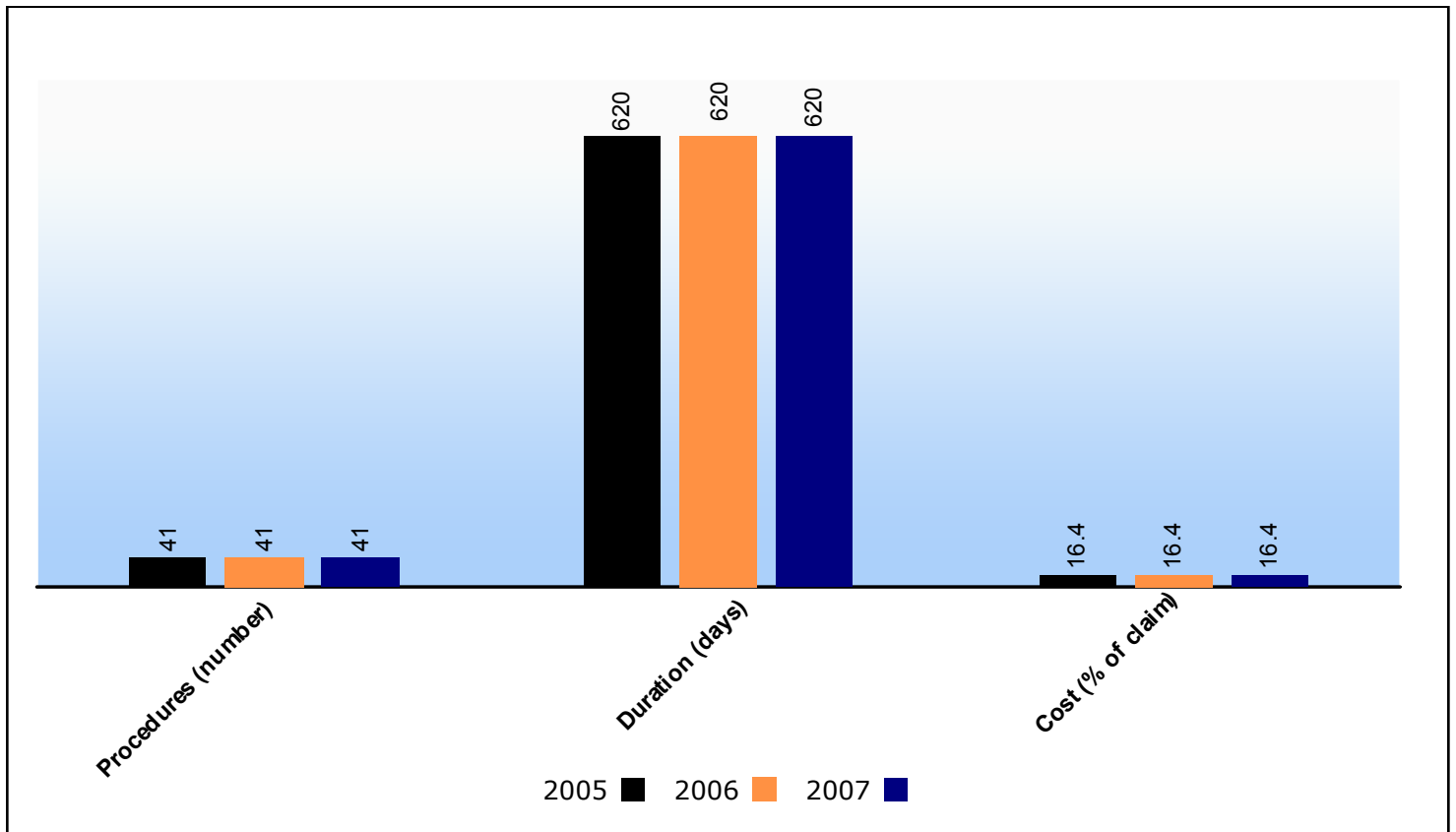
The main reason to regulate procedures in commercial dispute resolution is that informal justice is vulnerable to subversion by the rich and powerful. But heavy regulation of dispute resolution backfires. Across countries, the more procedures it takes to enforce a contract, the longer the delays and the higher the cost. The result: less wealth is created.



1. Historical data: Enforcing Contracts in Puerto Rico

Enforcing Contracts data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		88	88
Procedures (number)	41	41	41
Duration (days)	620	620	620
Cost (% of claim)	16.4	16.4	16.4

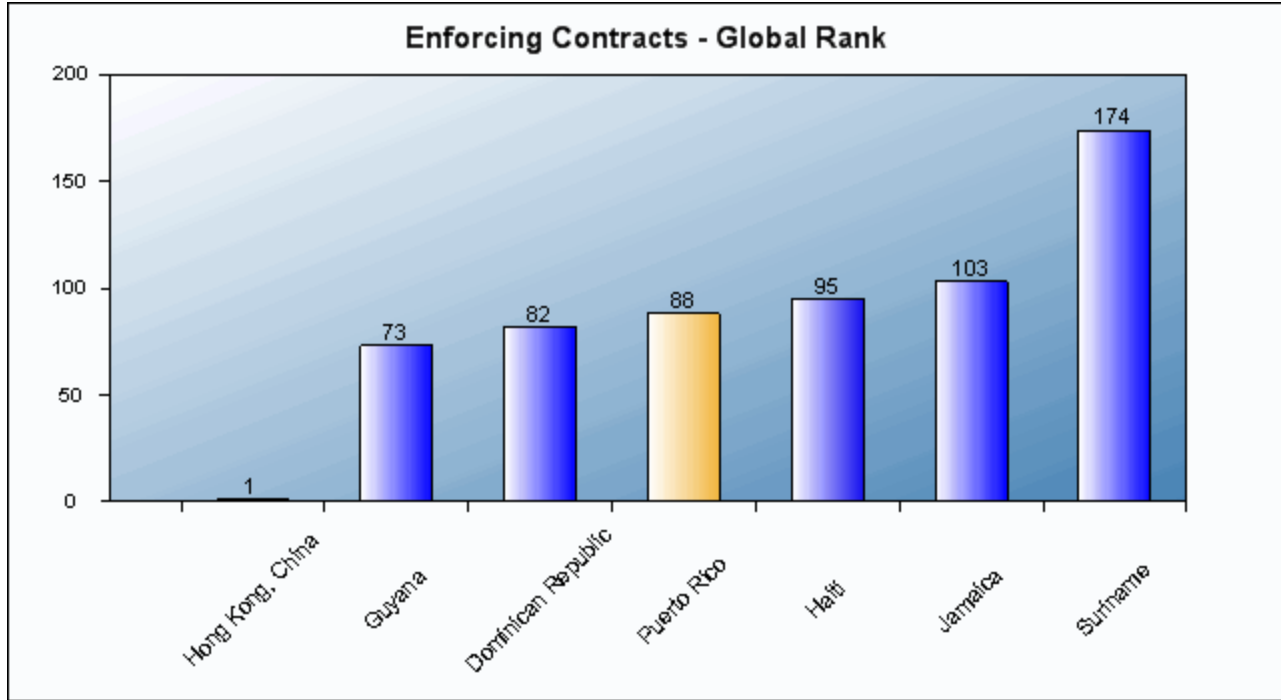
2. The following graph illustrates the Enforcing Contracts indicators in Puerto Rico over the past 3 years:



### 3. Benchmarking Enforcing Contracts Regulations:

Puerto Rico is ranked 88 overall for Enforcing Contracts. Hong Kong, China is the top ranked economy followed by Luxembourg, Latvia and Singapore.

Ranking of Puerto Rico in Enforcing Contracts - Compared to best practice and selected economies:



The following table shows Enforcing Contracts data for Puerto Rico compared to best practice and comparator economies:

<b>Best Practice Economies</b>	<b>Procedures (number)</b>	<b>Duration (days)</b>	<b>Cost (% of claim)</b>
<b>Bhutan</b>			0.1
<b>Ireland</b>	20		
<b>Singapore</b>		120	

<b>Selected Economy</b>			
<b>Puerto Rico</b>	41	620	16.4

<b>Comparator Economies</b>			
<b>Dominican Republic</b>	34	460	40.9
<b>Guyana</b>	36	581	25.2
<b>Haiti</b>	35	508	42.6
<b>Jamaica</b>	34	565	45.6
<b>Suriname</b>	44	1715	37.1

## Closing Business in Puerto Rico: Bankruptcy

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The economic crises of the 1990s in emerging markets—from East Asia to Latin America, from Russia to Mexico—raised concerns about the design of bankruptcy systems and the ability of such systems to help reorganize viable companies and close down unviable ones. In countries where bankruptcy is inefficient, unviable businesses linger for years, keeping assets and human capital from being reallocated to more productive uses.

The Doing Business indicators identify weaknesses in the bankruptcy law as well as the main procedural and administrative bottlenecks in the bankruptcy process. In many developing countries bankruptcy is so inefficient that creditors hardly ever use it. In countries such as these, reform would best focus on improving contract enforcement outside bankruptcy.

The data on closing a business are developed using a standard set of case assumptions to track a company going through the step-by-step procedures of the bankruptcy process. It is assumed that the company is a domestically owned, limited liability corporation operating a hotel in the country's most populous city. The company has 201 employees, 1 main secured creditor and 50 unsecured creditors. Assumptions are also made about the debt structure and future cash flows. The case is designed so that the company has a higher value as a going concern—that is, the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation. The data are derived from questionnaires answered by attorneys at private law firms.

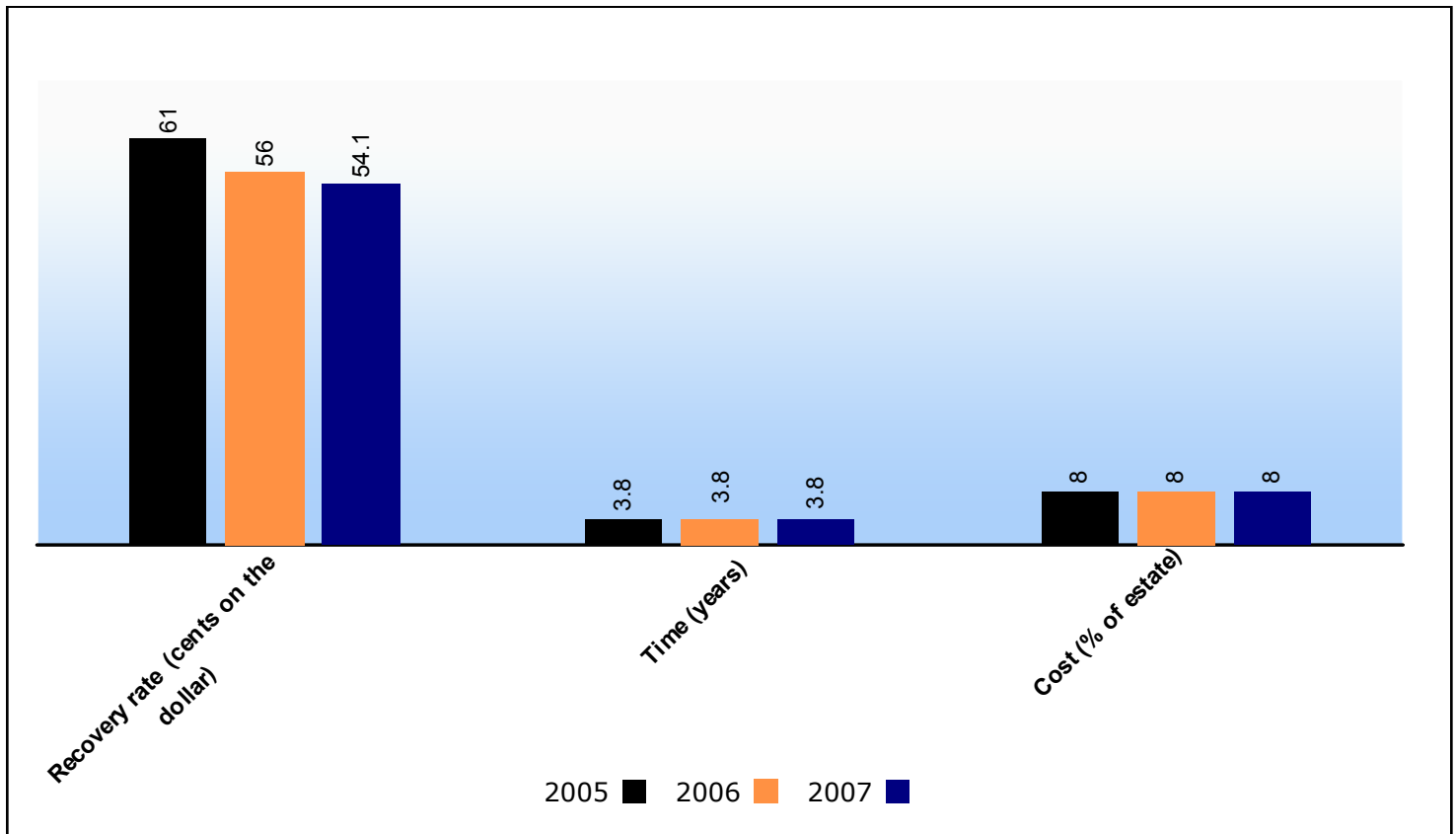
Three measures are constructed from the survey responses: the time to go through the insolvency process, the cost to go through the process and the recovery rate—how much of the insolvency estate is recovered by stakeholders, taking into account the time, cost, depreciation of assets and the outcome of the insolvency proceeding.

Bottlenecks in bankruptcy cut into the amount claimants can recover. In countries where bankruptcy is used, this is a strong deterrent to investment. Access to credit shrinks, and nonperforming loans and financial risk grow because creditors cannot recover overdue loans. Conversely, efficient bankruptcy laws can encourage entrepreneurs. The freedom to fail, and to do so through an efficient process, puts people and capital to their most effective use. The result is more productive businesses and more jobs.

1. Historical data: Closing Business in Puerto Rico

Closing a Business data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		28	28
Time (years)	3.8	3.8	3.8
Cost (% of estate)	8	8	8
Recovery rate (cents on the dollar)	61	56	54.1

2. The following graph illustrates the Closing Business indicators in Puerto Rico over the past 3 years:



### 3. Benchmarking Closing Business Regulations:

Puerto Rico is ranked 28 overall for Closing a Business. Japan is the top ranked economy followed by Singapore, Norway and Canada.

Ranking of Puerto Rico in Closing Business - Compared to best practice and selected economies:



The following table shows Closing Business data for Puerto Rico compared to best practice and comparator economies:

<b>Best Practice Economies</b>	<b>Recovery rate (cents on the</b>	<b>Time (years)</b>	<b>Cost (% of estate)</b>
Colombia			1
Ireland		0.4	
Japan	92.6		

<b>Selected Economy</b>			
<b>Puerto Rico</b>	<b>54.1</b>	<b>3.8</b>	<b>8</b>

<b>Comparator Economies</b>			
<b>Dominican Republic</b>	<b>8.4</b>	<b>3.5</b>	<b>38</b>
<b>Guyana</b>	<b>17.4</b>	<b>3.0</b>	<b>29</b>
<b>Haiti</b>	<b>3.1</b>	<b>5.7</b>	<b>30</b>
<b>Jamaica</b>	<b>64.3</b>	<b>1.1</b>	<b>18</b>
<b>Suriname</b>	<b>7.4</b>	<b>5.0</b>	<b>30</b>

## Starting a Business in Puerto Rico

This table summarizes the procedures and costs associated with setting up a business in Puerto Rico.

### STANDARDIZED COMPANY

*Legal Form:* Corporation

*Minimum Capital Requirement:* None

*City:* San Juan

### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Check the uniqueness of the company name	1 day	no charge
2	Register the company at the Puerto Rico Department of State and obtain a business certificate	1 day	\$100 + \$10 for the issuance of the Certificate of Existence
3	Apply for an employer identification number (EIN) with the Internal Revenue Service of the United States	1 day	no charge
4	Apply for a municipal business license (patente municipal)	1 day	no charge
5	Request unemployment and disability account numbers from the PR Department of Labor and Human Resources (Departamento del Trabajo y Recursos Humanos)	1 day	no charge
6	Subscribe to a workmen's insurance policy	1 day	no charge
7	File with the Registry of Merchants and Business, the Commercial Development Administration	1 day	no charge



**Procedure 1 Check the uniqueness of the company name**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:**

**Procedure 2 Register the company at the Puerto Rico Department of State and obtain a business certificate**

**Time to complete:** 1 day

**Cost to complete:** \$100 + \$10 for the issuance of the Certificate of Existence

**Comment:** The company's certificate of incorporation is filed at the Corporations Division of the Puerto Rico Department of State (División de Corporaciones, Departamento de Estado del Estado Libre Asociado de Puerto Rico). The certificate of incorporation generally sets forth the company's business purposes, the address of its registered office, the number of shares in each authorized class, and the rights of stockholders in each of these classes. If all documents are duly filed, the corporation may be formed and incorporated and start operations the same business day.

Fee schedule for company incorporation based on authorized capital with par value:

- Up to 20,000 shares (par value): USD 0.01 per share of authorized capital. (For the purposes of this computation, the law assigns USD 100 par value to each share computation.)
- From 20,001 to 200,000: USD 0.005 per share.
- Over 200,000: USD 0.002 per share.

Fee schedule for company incorporation based on authorized capital without par value:

- Up to 20,000 shares (without par value): USD 0.005 per share.
- From 20,001 to 2,000,000 shares: USD 0.0025 per share.
- Over 2,000,000 shares: USD 0.002 per share.

Note that the minimum fee for company incorporation is USD 100.

**Procedure 3 Apply for an employer identification number (EIN) with the Internal Revenue Service of the United States**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** The employer must apply for an employer identification number (EIN) with the U. S. Internal Revenue Service. The EIN is used for all tax purposes, including Medicare and Social Security taxes, collected by the federal government through the U.S. Internal Revenue Service. Upon receipt of the EIN, the employer must submit the EIN to the Puerto Rico Treasury Department (using Form 4809), and each employee must complete Form 499-R-4 for Puerto Rico tax withholding.

**Procedure 4 Apply for a municipal business license (patente municipal)**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** Within 30 days of commencing operations, promoters must apply for a municipal business license in the jurisdiction where the company will conduct business. The law exempts the company from paying tax during the first semester of operation

(January 1st to June 30th or July 1st to December 31th). The company will be issued a provisional license (21 LPRA, Sección 651(I)). Commonwealth of Puerto Rico law establishes the right of every municipality to impose and collect municipal license taxes (patentes municipales) based on the volume of business. Most for-profit activities that generate revenues in excess of USD 5,000 per year are covered.

**Procedure 5 Request unemployment and disability account numbers from the PR Department of Labor and Human Resources (Departamento del Trabajo y Recursos Humanos)**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** Unemployment tax is administered by the U.S. Internal Revenue Service and the Commonwealth of Puerto Rico Department of Treasury. Disability taxes are imposed and administered by Negociado de Seguro por Incapacidad No Ocupacional de los Trabajadores, SINOT.

**Procedure 6 Subscribe to a workmen's insurance policy**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** Workers' compensation insurance is issued by the State Insurance Fund Corp (Corporación del Fondo de Seguro del Estado, [www.cfse.gov.prz](http://www.cfse.gov.prz)). Insurance premiums vary with the type of business activity.

**Procedure 7 File with the Registry of Merchants and Business, the Commercial Development Administration**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** According to the Mandatory Registry of Merchants and Businesses Act, Law No. 171 of August 12, 2000, all natural and juridical persons engaged in business activities in Puerto Rico with annual sales in excess of USD 50,000 (including service providers) must file with the Registry of Merchants and Business, at the Commercial Development Administration. The informative return must be filed on or before January 15th of each year. The law's regulation (No. 6620) imposes high fines for failure to register.

## Dealing with Licenses in Puerto Rico

The table below summarizes the procedures, time, and costs to build a warehouse in Puerto Rico.

### BUILDING A WAREHOUSE

Date as of: January 2, 007

Estimated Warehouse Value:

City: San Juan

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Request and obtain land use authorization from the ARPE (Regulations and Permits Authority)	30 days	USD 50
2	Request and obtain legal endorsement from the Environmental Quality Board	60 days	USD 10
3 *	Request and obtain legal endorsement from the Natural Resources Department	60 days	USD 10
4 *	Request and obtain legal endorsement from the AAA (water and sewerage authority)	60 days	USD 10
5 *	Request and obtain legal endorsement from the municipal government	18 days	USD 10
6 *	Request and obtain legal endorsement from the PREPA (electric power authority)	14 days	USD 10
7 *	Request and obtain legal endorsement from the PRTC (Puerto Rico Telephone Company)	7 days	USD 10
8 *	Request and obtain approval from the Cultural Institute (Instituto Cultural)	14 days	USD 50
9 *	Request and obtain approval from the Fire Department (bomberos)	14 days	USD 100
10 *	Buy stamps and pay the College of Engineers and Architects	1 day	USD 1,050
11	Submit construction drawings for approval to the ARPE (Regulations and Permits Authority) and obtain preliminary approval	60 days	USD 5,500
12 *	Pay municipal construction tax	1 day	USD 68,250
13 *	Request and obtain permit from the FSE (workers' compensation policy)	3 days	no charge
14	Request and obtain occupancy permit from the ARPE	10 days	USD 100

15 *	Request and obtain final approval from the AAA (water and sewerage authority)	20 days	USD 500
16 *	Request and obtain final approval from the PREPA (electric power authority)	20 days	USD 500
17 *	Request and obtain final approval from the PRTC (Puerto Rico Telephone Company)	5 days	no charge
18 *	Request and obtain final approval from the Environmental Quality Board	30 days	no charge
19 *	Request and obtain final approval from the Natural Resources Department	30 days	no charge
20	Request and obtain water and sewerage connection from the AAA (water and sewerage authority)	21 days	USD 3,000
21 *	Request and connect to electricity services through the PREPA (electric power authority)	21 days	no charge
22 *	Request and connect to telephone services through the PRTC (Puerto Rico Telephone Company)	21 days	no charge

\* Takes place simultaneously with another procedure.

**Procedure 1 Request and obtain land use authorization from the ARPE (Regulations and Permits Authority)**

**Time to complete:** 30 days

**Cost to complete:** USD 50

**Comment:** Before starting the building permit request process, BuildCo must first obtain a land use permit. If there is no change in the land zoning, the process should take around a month. If a change in zoning is necessary, then the process can take much longer (around 3 months).

**Procedure 2 Request and obtain legal endorsement from the Environmental Quality Board**

**Time to complete:** 60 days

**Cost to complete:** USD 10

**Comment:** The Environmental Quality Board verifies compliance of the project with pollution regulations and the boundaries of the lot. Some applicants claim that the time to obtain this endorsement can be 90 days.

**Procedure 3 Request and obtain legal endorsement from the Natural Resources Department**

**Time to complete:** 60 days

**Cost to complete:** USD 10

**Comment:**

**Procedure 4 Request and obtain legal endorsement from the AAA (water and sewerage authority)**

**Time to complete:** 60 days

**Cost to complete:** USD 10

**Comment:**

**Procedure 5 Request and obtain legal endorsement from the municipal government**

**Time to complete:** 18 days

**Cost to complete:** USD 10

**Comment:**

**Procedure 6 Request and obtain legal endorsement from the PREPA (electric power authority)**

**Time to complete:** 14 days

**Cost to complete:** USD 10

**Comment:**

**Procedure 7 Request and obtain legal endorsement from the PRTC (Puerto Rico Telephone Company)**

**Time to complete:** 7 days

**Cost to complete:** USD 10

**Comment:**

**Procedure 8 Request and obtain approval from the Cultural Institute (Instituto Cultural)**

**Time to complete:** 14 days

**Cost to complete:** USD 50

**Comment:** Since 2006, all construction to be built on an archeological site must be approved by the Cultural Institute.

The cost is USD 50 for the first filing. Depending on the outcome of the evaluation, there might be additional costs. If the decision is that there might be archeological findings on the site, Phase I is initiated, and an inspector inspects the site at a cost of USD 100. If anything is found, Phase I-a starts, and the associated fee is USD 250, and so forth.

Assuming that the site is not archeological, the fees for this procedure would be only USD 50. This procedure is not a prerequisite for submission to the Regulations and Permits Authority (ARPE), but it is a prerequisite for obtaining the final occupancy permit.

**Procedure 9 Request and obtain approval from the Fire Department (bomberos)**

**Time to complete:** 14 days

**Cost to complete:** USD 100

**Comment:** The cost of obtaining approval from the Fire Department is USD 100 for the first 100,000 square feet and USD 75 for each additional 100,000 square feet.

This approval is not a prerequisite for the construction permit granted by the ARPE, but it is generally required for the project and construction licensing. A full set of plans must be submitted.

**Procedure 10 Buy stamps and pay the College of Engineers and Architects**

**Time to complete:** 1 day

**Cost to complete:** USD 1,050

**Comment:** The stamps can be bought at Westernbank, for example. The cost is 0.1% of the project value.

**Procedure 11 Submit construction drawings for approval to the ARPE (Regulations and Permits Authority) and obtain preliminary approval**

**Time to complete:** 60 days

**Cost to complete:** USD 5,500

**Comment:** The cost for this procedure is calculated as follows:  
 - 0.5% tax on the construction (cargo de radicación), which goes to the Ministry of Finance, or the Departamento de Hacienda, but is paid at the ARPE offices.  
 - About USD 250 fee paid to the ARPE, which depends on the size of the project.  
 The amount in the case considered here is estimated at about USD 1,050,000, based on an estimate of USD 75 per square foot.

The payment must be made either by certified check or by direct ATM deposit. Personal checks or cash are not accepted.

This procedure is regulated by the Reglamento de Certificación, Administrative Order ARPE 99-7. The ARPE grants a preliminary approval, which is necessary to register for the FSE and to pay the municipal tax on the building (in the next two procedures), required steps to obtain the final construction permit. Note that the construction permit is not an occupancy permit.

**Procedure 12 Pay municipal construction tax**

**Time to complete:** 1 day

**Cost to complete:** USD 68,250

**Comment:** The cost is 6.5% of the project value.

**Procedure 13 Request and obtain permit from the FSE (workers' compensation policy)**

**Time to complete:** 3 days

**Cost to complete:** no charge

**Comment:**

**Procedure 14 Request and obtain occupancy permit from the ARPE**

**Time to complete:** 10 days

**Cost to complete:** USD 100

**Comment:** A licensed engineer or architect is responsible for ensuring that the building is compliant with the regulations and permit outlines, and for supervising the project during construction (inspections). At the end of the construction, the architect files with the authorities all plans, a final cost evaluation, and reports from all inspections. If the final cost differs from the original one, the difference in taxes must be paid. The architect guarantees compliance in an affidavit. There are inspections during construction, but they are all private. No officials from the municipality or the ARPE inspect the site.

**Procedure 15 Request and obtain final approval from the AAA (water and sewerage authority)**

**Time to complete:** 20 days

**Cost to complete:** USD 500

**Comment:**

**Procedure 16 Request and obtain final approval from the PREPA (electric power authority)**

**Time to complete:** 20 days

**Cost to complete:** USD 500

**Comment:**

**Procedure 17 Request and obtain final approval from the PRTC (Puerto Rico Telephone Company)**

**Time to complete:** 5 days

**Cost to complete:** no charge

**Comment:**

**Procedure 18 Request and obtain final approval from the Environmental Quality Board**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Comment:**

**Procedure 19 Request and obtain final approval from the Natural Resources Department**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Comment:**

**Procedure 20 Request and obtain water and sewerage connection from the AAA (water and sewerage authority)**

**Time to complete:** 21 days

**Cost to complete:** USD 3,000

**Comment:**

**Procedure 21 Request and connect to electricity services through the PREPA (electric power authority)**

**Time to complete:** 21 days

**Cost to complete:** no charge

**Comment:** The electric power authority (PREPA) provides the equipment, inspects the site, and makes the final installation. The procedure takes a day and can be done simultaneously with other procedures. There is no cost at the time of the connection. However, about USD 1,500 is charged with the first electricity bill.



**Procedure 22 Request and connect to telephone services through the PRTC (Puerto Rico Telephone Company)**

**Time to complete:** 21 days

**Cost to complete:** no charge

**Comment:**

## Employing Workers in Puerto Rico

Employing workers indices are based on responses to survey questions. The table below shows these responses in Puerto Rico.

<b>Employing Workers Indicators (2007)</b>	<b>Answer</b>	<b>Score</b>
<b>Rigidity of Employment Index</b>		<b>21.5</b>
<b>Difficulty of Hiring Index</b>		<b>44.4</b>
Are fixed-term contracts prohibited for permanent tasks?	Yes	1
What is the maximum duration of fixed-term contracts (including renewals)? (in months)	No limit	0.0
What is the ratio of mandated minimum wage to the average value added per worker?	0.49	0.33
<b>Rigidity of Hours Index</b>		<b>0.0</b>
Can the workweek extend to 50 hours (including overtime) for 2 months per year to respond to a seasonal increase in production?	Yes	0
What is the maximum number of working days per week?	7	0
Are there restrictions on night work?	No	0
Are there restrictions on "weekly holiday" work?	No	0
What is the paid annual vacation (in working days) for an employee with 20 years of service?	15	0
<b>Difficulty of Firing Index</b>		<b>20.0</b>
Is the termination of workers due to redundancy legally authorized?	Yes	0
Must the employer notify a third party before terminating one redundant worker?	No	0
Does the employer need the approval of a third party to terminate one redundant worker?	No	0
Must the employer notify a third party before terminating a group of 25 redundant workers?	No	0
Does the employer need the approval of a third party to terminate a group of 25 redundant workers?	No	0
Can an employer make redundant a worker only if the worker could not have been reassigned or retrained?	No	0
Are there priority rules applying to redundancies?	Yes	1
Are there priority rules applying to re-employment?	Yes	1
<b>Firing costs (weeks of wages)</b>		<b>0.0</b>
What is the notice period for redundancy dismissal after 20 years of continuous employment? (weeks of salary)		0.0

What is the severance pay for redundancy dismissal after 20 years of employment? (weeks of salary)	0.0
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What is the legally mandated penalty for redundancy dismissal? (weeks of salary)	0.0
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<b>Nonwage labor cost (% of salary)</b>	<b>13.4</b>
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Note: The first three indices measure how difficult it is to hire a new worker, how rigid the regulations are on working hours, and how difficult it is to dismiss a redundant worker. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The overall Rigidity of Employment Index is an average of the three indices.

## Registering Property in Puerto Rico

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This topic examines the steps, time, and cost involved in registering property in Puerto Rico.

### *STANDARDIZED PROPERTY*

Property Value: 718,550.00

City: San Juan

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1 *	Obtain a property title report at the Property Registry	3-5 days (simultaneous with procedure 2)	\$100
2 *	Obtain a property tax certificate from the Municipal Revenues Collection Center (CRIM)	2 days (simultaneous with procedure 1)	\$50
3	Obtain Title Commitment for Title Insurance	2 days	no cost
4	The notary public prepares and authorizes and the parties execute the purchase and sale deed	4 days	\$300 (Corporate Resolution) + 1% of property value up to \$500,000 + 0.5% of the excess over \$500,000 (notary fees)
5	Purchase Internal Revenue Stamps and Registry of Property filling vouchers	2 days	Legal Aid Stamps (original): \$5 IRS (original): \$684 Vouchers:\$2692.5 Notary Stamp: \$1
6	File the deed at the Registry of Property	180 days	\$100
7	File the notice of sale with the Treasury Department	1 day	\$20
8	File the notice of change of owner with the CRIM	1 day	\$20

\* Takes place simultaneously with another procedure.

**Procedure 1 Obtain a property title report at the Property Registry**

**Time to complete:** 3-5 days (simultaneous with procedure 2)

**Cost to complete:** \$100

**Comment:** A Notary is an attorney authorized and licensed by the government of the Commonwealth of Puerto Rico to certify and attest as to, among other things, the legality of public deeds executed in his presence, the identity of the parties executing the public deed and the date and municipality in which the public deed was executed. Public deeds for the sale of immovable property must be prepared by a Notary and executed by the parties before such Notary. The Notary requires a title search which will show the status of the property at the Registry of the Property: owner, mortgages and encumbrances, etc.

**Procedure 2 Obtain a property tax certificate from the Municipal Revenues Collection Center (CRIM)**

**Time to complete:** 2 days (simultaneous with procedure 1)

**Cost to complete:** \$50

**Comment:** Obtain a property tax certificate from the Municipal Revenues Collection Center (CRIM). This certificate makes sure the property does not owe any property taxes and is required by any bank lending money for the transaction.

**Procedure 3 Obtain Title Commitment for Title Insurance**

**Time to complete:** 2 days

**Cost to complete:** no cost

**Comment:** The buyer obtains Title Commitment in order to obtain Title Insurance.

**Procedure 4 The notary public prepares and authorizes and the parties execute the purchase and sale deed**

**Time to complete:** 4 days

**Cost to complete:** \$300 (Corporate Resolution) + 1% of property value up to \$500,000 + 0.5% of the excess over \$500,000 (notary fees)

**Comment:** The Notary prepares the deed of purchase and sale to be executed in his presence by the parties. He attests as to the legality of the transaction, the identity and personal circumstances of the parties (marital status, legal age, profession and place of residence) or, in the case of juridical entities, the personal circumstances of the authorized representatives, when and where was the deed of purchase and sale executed by the parties and that it was executed in his presence. It is mandatory that the deed be prepared by a notary. The maximum notary fees allowed are 1% of property value for values up to \$ 500,000 plus 0.5% of the excess over \$500,000. But the fees are usually negotiated among parties below this maximum. Depending on the agreement reached with the Notary, he will also prepare a Corporate Resolution authorizing the representatives of the corporation to appear in the deed (\$300).

**Procedure 5 Purchase Internal Revenue Stamps and Registry of Property filling vouchers**

**Time to complete:** 2 days

**Cost to complete:** Legal Aid Stamps (original): \$5  
IRS (original): \$684  
Vouchers:\$2692.5  
Notary Stamp: \$1

**Comment:** Parties purchase Internal Revenue Stamps to be canceled on the original of deed of purchase and sale and first certified copy of deed to be filed in the Registry of Property. The original is kept by the notary and the certified copy is presented at the Registry. Vouchers for the Registry of Property must be bought before applying for registration. Both the stamps and the vouchers are available to the lawyers/notaries electronically.

For transactions of \$25,000 to \$50,000 an additional internal revenue stamp of \$5.00 must be cancelled on the original of the deed and \$2.50 on the certified copy. This amount increases by \$5.00 on the original and \$2.50 on the certified copy for each subsequent full or fractional \$50,000 increase on the transaction.

**Procedure 6 File the deed at the Registry of Property**

**Time to complete:** 180 days

**Cost to complete:** \$100

**Comment:** The buyer files the sale and purchase deed at the Registry of Property.

**Procedure 7 File the notice of sale with the Treasury Department**

**Time to complete:** 1 day

**Cost to complete:** \$20

**Comment:** The buyer must file the notice of sale with the Treasury Department.

**Procedure 8 File the notice of change of owner with the CRIM**

**Time to complete:** 1 day

**Cost to complete:** \$20

**Comment:** The buyer files the notice of change of ownership at Municipal Revenues Collection Center.

## Getting Credit in Puerto Rico

The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Puerto Rico.

Getting Credit Indicators (2007)			Indicator
<b>Private bureau coverage (% adults)</b>	<b>Private credit bureau</b>	<b>Public credit registry</b>	<b>5</b>
Are data on both firms and individuals distributed?	No	No	0
Are both positive and negative data distributed?	Yes	No	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	Yes	No	1
Are more than 2 years of historical credit information distributed?	Yes	No	1
Is data on all loans below 1% of income per capita distributed?	Yes	No	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	No	1
<b>Coverage</b>	62.0	0.0	
Number of individuals	1,900,000	0	
Number of firms	0	0	
<b>Legal Rights Index</b>			<b>6</b>
Does the law allow all natural and legal persons to be party to collateral agreements?			Yes
Does the law allow for general descriptions of assets, so that all types of assets can be used as collateral?			No
Does the law allow for general descriptions of debt, so that all types of obligations can be secured?			Yes
Does a unified registry exist for all security rights in movable property?			Yes
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?			No
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?			Yes
During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?			Yes
During reorganization, is management's control of the company's assets suspended?			Yes
Does the law authorize parties to agree on out of court enforcement?			No
May parties have recourse to out of court enforcement without restrictions?			No

## Protecting Investors in Puerto Rico

The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Puerto Rico.

<b>Protecting Investors Data (2007)</b>	<b>Indicator</b>
<b>Disclosure Index</b>	<b>7</b>
What corporate body provides legally sufficient approval for the transaction? (0-3; see notes)	1
Immediate disclosure to the public and/or shareholders (0-2; see notes)	2
Disclosures in published periodic filings (0-2; see notes)	2
Disclosures by Mr. James to board of directors (0-2; see notes)	2
Requirement that an external body review the transaction before it takes place (0=no, 1=yes)	0
<b>Director Liability Index</b>	<b>6</b>
Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company. (0-2; see notes)	1
Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for for damage to the company. (0-2; see notes)	2
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff (0-2; see notes)	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	1
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	1
Whether fines and imprisonment can be applied against Mr. James (0=no, 1=yes)	0
Shareholder plaintiff's ability to sue directly or derivatively for damage the transaction causes to the company (0-1; see notes)	1
<b>Shareholder Suits Index</b>	<b>8</b>
Documents available to the plaintiff from the defendant and witnesses during trial (0-4; see notes)	4
Ability of plaintiffs to directly question the defendant and witnesses during trial (0-2; see notes)	1
Plaintiff can request categories of documents from the defendant without identifying specific ones (0=no, 1=yes)	1
Shareholders owning 10% or less of Buyer's shares can request an inspector investigate the transaction (0=no, 1=yes)	0
Level of proof required for civil suits is lower than that for criminal cases (0=no, 1=yes)	1
Shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit (0=no, 1=yes)	1



**Notes:****Extent of Disclosure Index**

*What corporate body provides legally sufficient approval for the transaction?*

0=CEO or managing director alone; 1=shareholders or board of directors vote and Mr. James can vote; 2=board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote

*Immediate disclosure to the public and/or shareholders*

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

*Disclosures in published periodic filings*

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

*Disclosures by Mr. James to board of directors*

0=none; 1=existence of a conflict without any specifics; 2= full disclosure of all material facts

**Director Liability Index**

*Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company*

0= Mr. James is not liable or liable only if he acted fraudulently or in bad faith; 1= Mr. James is liable if he influenced the approval or was negligent; 2= Mr. James is liable if the transaction was unfair, oppressive or prejudicial to minority shareholders

*Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company*

0=members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1=liable for negligence in the approval of the transaction; 2=liable if the transaction is unfair, oppressive, or prejudicial to minority shareholders

*Whether a court can void the transaction upon a successful claim by a shareholder plaintiff*

0=rescission is unavailable or available only in case of Seller's fraud or bad faith; 1=available when the transaction is oppressive or prejudicial to minority shareholders; 2=available when the transaction is unfair or entails a conflict of interest

*Shareholder plaintiffs' ability to sue directly or derivatively for damage the transaction causes to the company*

0=not available; 1=direct or derivative suit available for shareholders holding 10% of share capital or less

**Shareholder Suits Index**

*Documents available to the plaintiff from the defendant and witnesses during trial*

Score 1 each for (1) information that the defendant has indicated he intends to rely on for his defense; (2) information that directly proves specific facts in the plaintiff's claim; (3) any information that is relevant to the subject matter of the claim; and (4) any information that may lead to the discovery of relevant information.

*Ability of plaintiffs to directly question the defendant and witnesses during trial*

0=no; 1=yes, with prior approval by the court of the questions posed; 2=yes, without prior approval

## Paying Taxes in Puerto Rico

The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Puerto Rico, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Sales tax	1	online filing		7.0%	sales		withheld
Unemployment insurance	4			5.7%	gross salaries	1.62	
Accident insurance	1			varies	gross salaries	2.31	
Property tax	2			8.5%	replacement value of property	5.18	
Property tax	1			6.5%	book value of movable property	5.30	
Social security contributions	1	online filing	60	7.6%	gross salaries	8.63	
Municipal license tax	1			0.5%	turnover	8.84	
Corporate income tax	5		80	5% to 19%	taxable profits	12.38	
<b>Totals</b>	<b>16</b>		<b>140</b>			<b>44.3</b>	

### Notes:

- a) data not collected
- b) VAT is not included in the total tax rate because it is a tax levied on consumers
- c) very small amount
- d) included in other taxes
- e) Withheld tax
- f) electronic filling available
- g) paid jointly with another tax

Name of taxes have been standardized. For instance income tax, profit tax, tax on company's income are all named corporate income tax in this table.

When there is more than one statutory tax rate, the one applicable to TaxpayerCo is reported.

The hours for VAT include all the VAT and sales taxes applicable.

The hours for Social Security include all the hours for labor taxes and mandatory contributions in general.

## Trading Across Borders in Puerto Rico

These tables list the procedures necessary to import and exports a standardized cargo of goods in Puerto Rico. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2007)	Duration (days)	US\$ Cost
Documents preparation	6	200
Customs clearance and technical control	4	200
Ports and terminal handling	3	450
Inland transportation and handling	2	375
Totals	15	1225

Nature of Import Procedures (2007)	Duration (days)	US\$ Cost
Documents preparation	9	200
Customs clearance and technical control	2	200
Ports and terminal handling	3	450
Inland transportation and handling	2	375
Totals	16	1225

### Export

Bill of lading

Certificate of origin

Commercial invoice

Consular invoice

Customs export declaration

Packing list

Pre-shipment inspection clean report of findings

### Import

Bill of lading

Cargo release order

Certificate of origin

Commercial invoice

Customs import declaration

Foreign exchange authorization

Import license

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Packing list

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Tax certificate

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Terminal handling receipts

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## Enforcing Contracts in Puerto Rico

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This topic looks at the efficiency of contract enforcement in Puerto Rico.

Nature of Procedure (2007)	Indicator
Procedures (number)	41.00
Duration (days)	620.00
Filing and service	30.0
Trial and judgment	500.0
Enforcement of judgment	90.0
Cost (% of claim)*	16.40
Attorney cost (% of claim)	14.3
Court cost (% of claim)	1.8
Enforcement Cost (% of claim)	0.3

**Court information:** San Juan Court of First Instance ("Tribunal de Primera Instancia")  
[www.tribunalespr.org](http://www.tribunalespr.org)

\* Claim assumed to be equivalent to 200% of income per capita.