

Doing Business 2010

Puerto Rico

COMPARING REGULATION IN 183 ECONOMIES



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Introduction

Doing Business 2010: Reforming Through Difficult Times is the seventh in a series of annual reports investigating 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 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 10 stages of a business's life are measured: starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2010: Reforming Through Difficult Times* are current as of June 1, 2009*. 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 an economy'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 or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local 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 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and The Caribbean, 27 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 19 in the Middle East and North Africa and 8 in South Asia, as well as 27 OECD high-income economies as benchmarks.

The following pages present the summary Doing Business indicators for Puerto Rico. The data used for this country profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator. The good-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 countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2010: Reforming Through Difficult Times* 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 (www.doingbusiness.org).

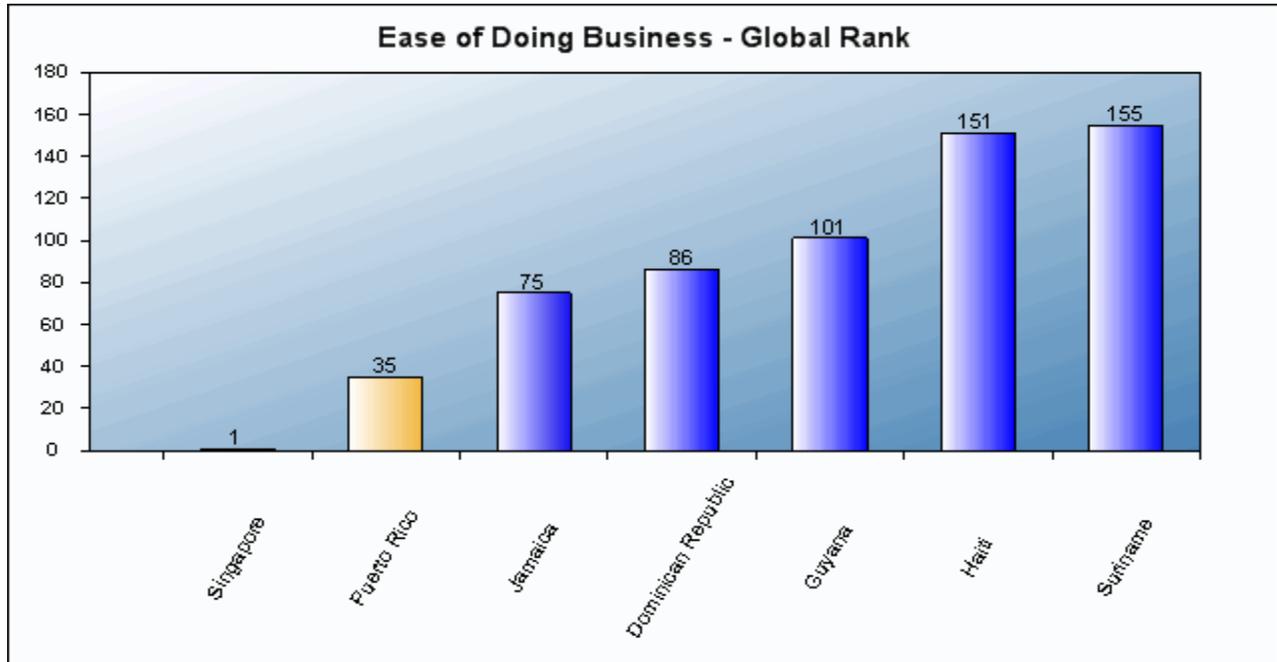
* Except for the Paying Taxes indicator that refers to the period January to December of 2008.

Note: Doing Business 2008 and Doing Business 2009 data and rankings have been recalculated to reflect changes to the methodology and the addition of new countries (in the case of the rankings).

Economy Rankings - Ease of Doing Business

Puerto Rico is ranked 35 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

Puerto Rico - Compared to global good practice economy as well as selected economies:



Puerto Rico's ranking in Doing Business 2010

Rank	Doing Business 2010
Ease of Doing Business	35
Starting a Business	15
Dealing with Construction Permits	148
Employing Workers	22
Registering Property	124
Getting Credit	30
Protecting Investors	16
Paying Taxes	104
Trading Across Borders	105
Enforcing Contracts	97
Closing a Business	30

Summary of Indicators - Puerto Rico

Starting a Business	Procedures (number)	7
	Time (days)	7
	Cost (% of income per capita)	0.7
	Min. capital (% of income per capita)	0.0
Dealing with Construction Permits	Procedures (number)	22
	Time (days)	209
	Cost (% of income per capita)	506.5
Employing Workers	Difficulty of hiring index (0-100)	22
	Rigidity of hours index (0-100)	0
	Difficulty of redundancy index (0-10)	20
	Rigidity of employment index (0-100)	14
	Redundancy costs (weeks of salary)	0
Registering Property	Procedures (number)	8
	Time (days)	194
	Cost (% of property value)	1.4
Getting Credit	Strength of legal rights index (0-10)	7
	Depth of credit information index (0-6)	5
	Public registry coverage (% of adults)	0.0
	Private bureau coverage (% of adults)	73.8
Protecting Investors	Extent of disclosure index (0-10)	7
	Extent of director liability index (0-10)	6
	Ease of shareholder suits index (0-10)	8
	Strength of investor protection index (0-10)	7.0
Paying Taxes	Payments (number per year)	16
	Time (hours per year)	218
	Profit tax (%)	25.3
	Labor tax and contributions (%)	12.6
	Other taxes (%)	26.9
	Total tax rate (% profit)	64.7

Trading Across Borders	Documents to export (number)	7
	Time to export (days)	15
	Cost to export (US\$ per container)	1250
	Documents to import (number)	10
	Time to import (days)	16
	Cost to import (US\$ per container)	1250
Enforcing Contracts	Procedures (number)	39
	Time (days)	620
	Cost (% of claim)	24.3
Closing a Business	Recovery rate (cents on the dollar)	55.2
	Time (years)	3.8
	Cost (% of estate)	8

Starting a Business

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 up the process or may decide to run their businesses informally.

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.

Methodology

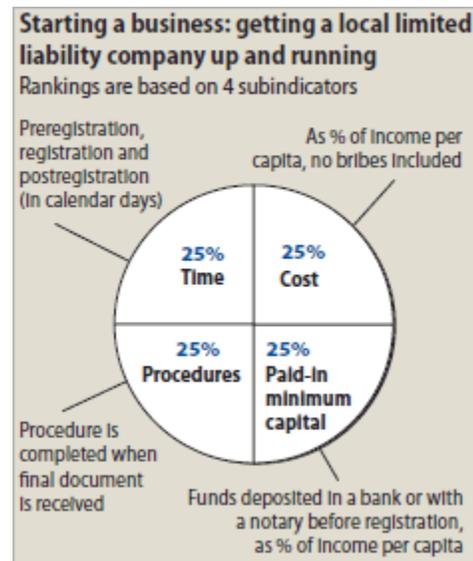
The data on starting a business is based on a survey and research investigating the procedures that a standard small to medium-size company needs to complete to start operations legally. This includes obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. 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.

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.

Survey Case Study

The business:

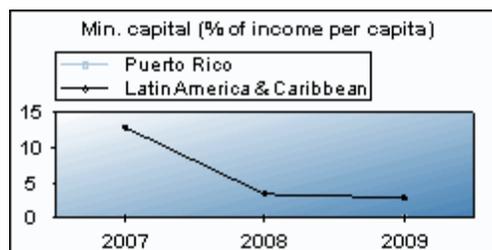
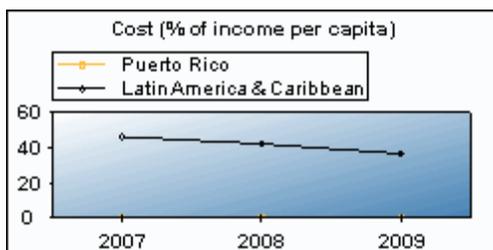
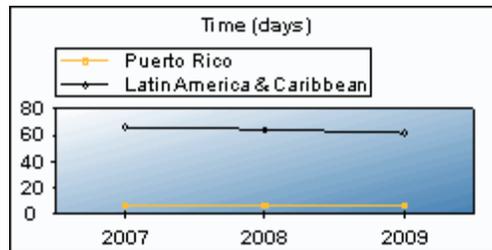
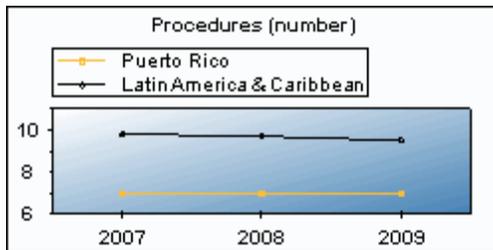
- is a limited liability company conducting general commercial activities
- is located in the largest business city
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has between 10 and 50 employees
- does not qualify for any special benefits
- does not own real estate



1. Historical data: Starting a Business in Puerto Rico

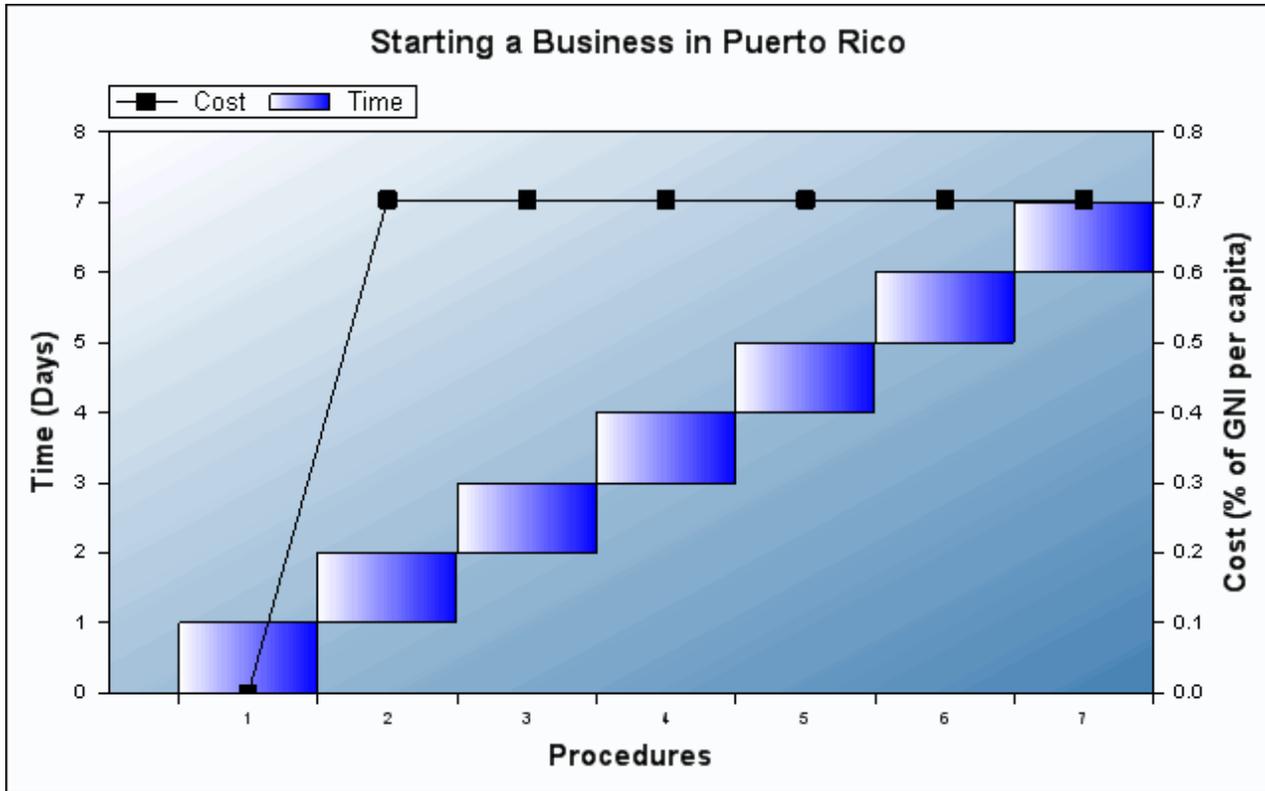
Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	10	15
Procedures (number)	7	7	7
Time (days)	7	7	7
Cost (% of income per capita)	0.8	0.8	0.7
Min. capital (% of income per capita)	0.0	0.0	0.0

2. The following graphs 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 0.70 % GNI per capita to start a business in Puerto Rico.



List of Procedures:

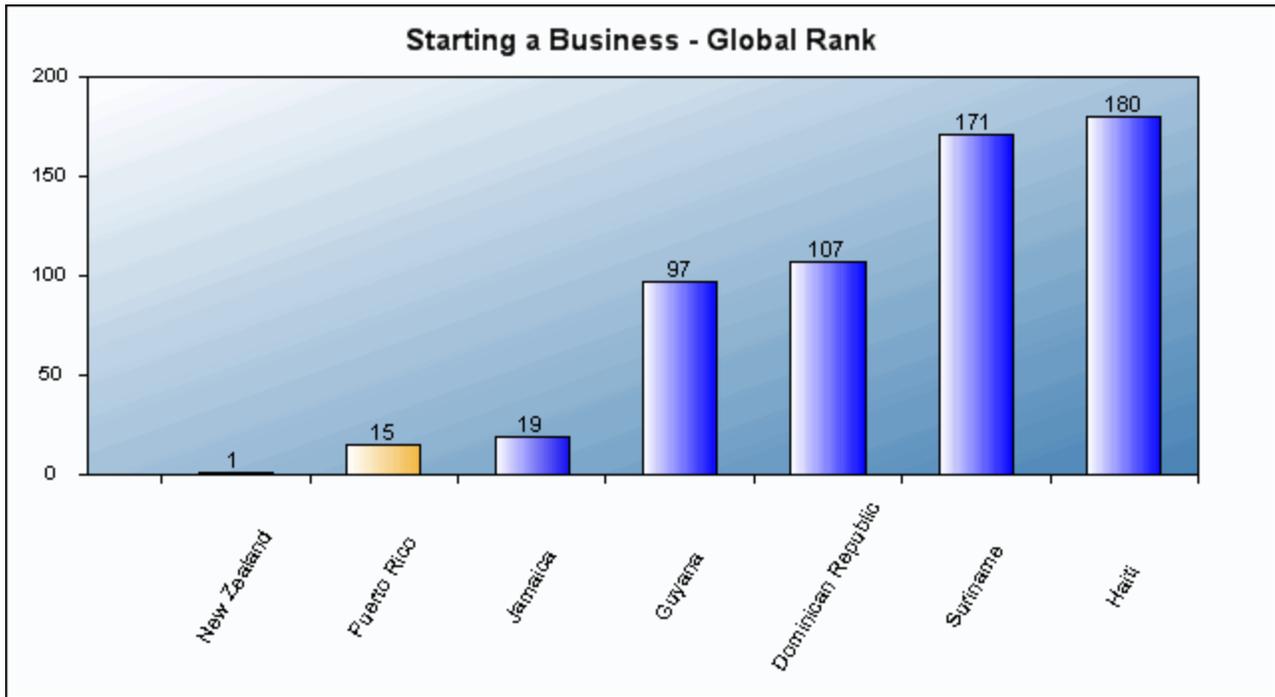
1. Check the uniqueness of the company name
2. Register the company at the Puerto Rico Department of State and obtain a business certificate
3. Apply for an employer identification number (EIN) with the Internal Revenue Service of the United States
4. Apply for a municipal business license (patente municipal)
5. Request unemployment and disability account numbers from the PR Department of Labor and Human Resources (Departamento del Trabajo y Recursos Humanos)
6. Subscribe to a workmen's insurance policy
7. File with the Registry of Merchants and Business, the Commercial Development Administration

More detail is included in the appendix.

4. Benchmarking Starting a Business Regulations:

Puerto Rico is ranked 15 overall for Starting a Business.

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



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

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)	Min. capital (% of income per capita)
Denmark*			0.0	
New Zealand*	1	1		0.0

<i>Selected Economy</i>				
Puerto Rico	7	7	0.7	0.0

<i>Comparator Economies</i>				
Dominican Republic	8	19	17.3	0.0
Guyana	8	34	32.8	0.0
Haiti	13	195	227.9	22.4
Jamaica	6	8	5.3	0.0
Suriname	13	694	112.8	0.7

* The following economies are also good practice economies for :

Procedures (number): **Canada**

Cost (% of income per capita): **Slovenia**

Dealing with Construction Permits

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, with licensing and safety regulations, 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 economies, 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. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

Methodology

The indicators on dealing with construction permits 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.

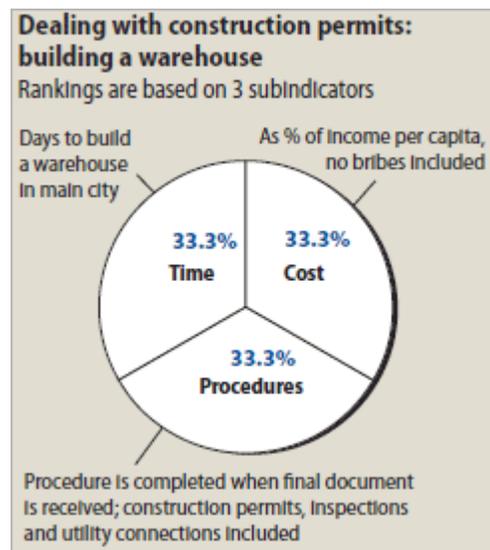
Survey Case Study

The business:

- is a small to medium-size limited liability company
- is located in the largest business city
- is domestically owned and operated, in the construction business
- has 20 qualified employees

The warehouse to be built:

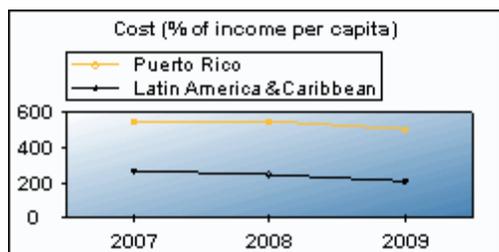
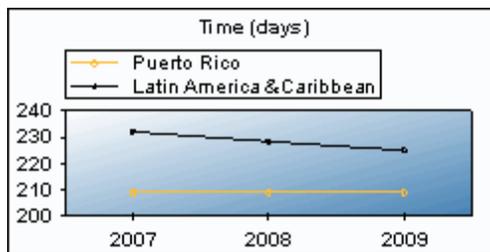
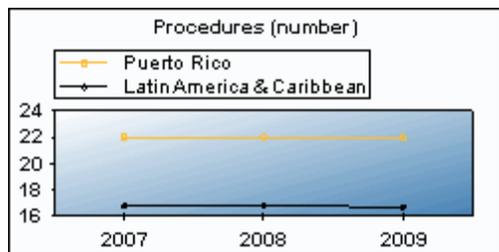
- is a new construction (there was no previous construction on the land)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each 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).



1. Historical data: Dealing with Construction Permits in Puerto Rico

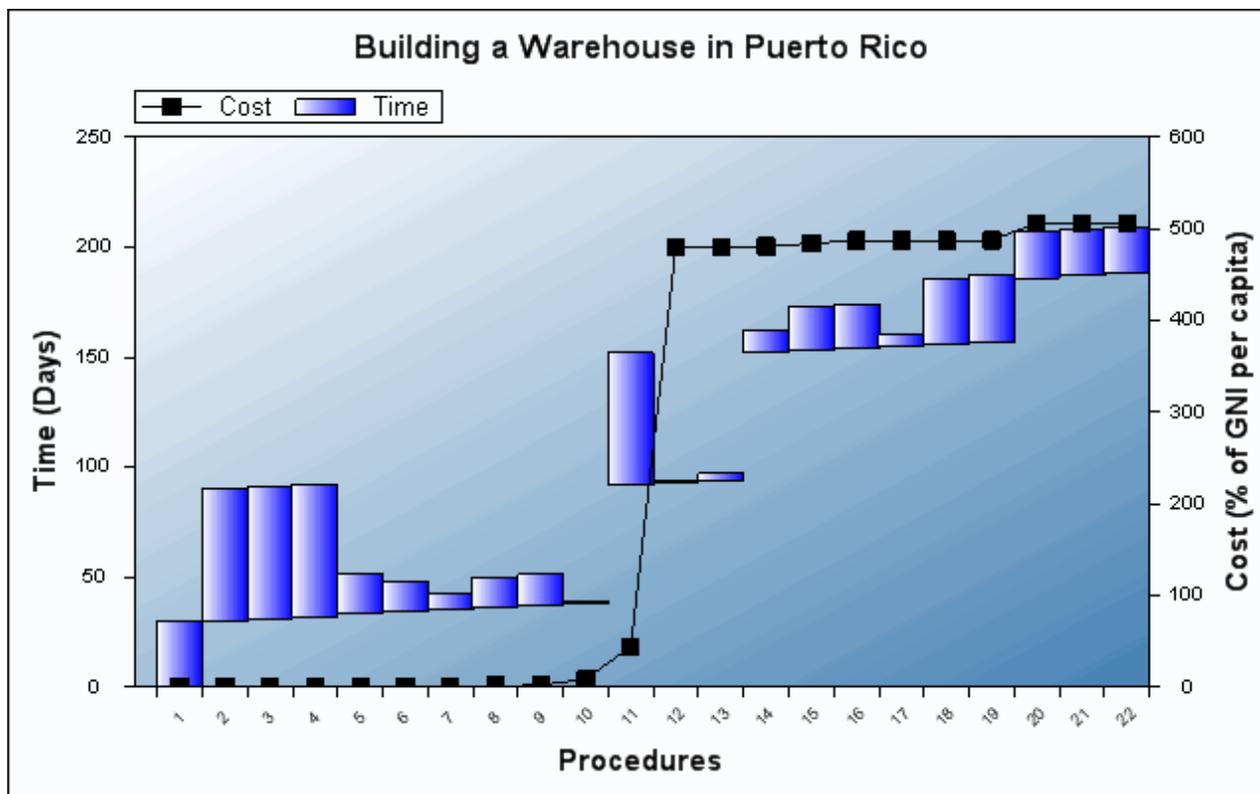
Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	140	148
Procedures (number)	22	22	22
Time (days)	209	209	209
Cost (% of income per capita)	550.8	550.8	506.5

2. The following graphs illustrates the Dealing with Construction Permits 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 506.48 % GNI per capita to build a warehouse in Puerto Rico.



List of Procedures:

- | | |
|--|---|
| <ol style="list-style-type: none"> 1. Request and obtain land use authorization from ARPE (Regulations and Permits Authority) 2. Request and obtain legal endorsement from Environmental Quality Board 3. Request and obtain legal endorsement from Natural Resources Department 4. Request and obtain legal endorsement from AAA (Water and Sewage Authority) 5. Request and obtain legal endorsement from Municipal Government 6. Request and obtain legal endorsement from PREPA (Electric Power authority) 7. Request and obtain legal endorsement from PRTC (Puerto Rico Telephone Company) 8. Request and obtain approval from Cultural Institute (Instituto Cultural) | <ol style="list-style-type: none"> 9. Request and obtain Fire Department approval (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 FSE (Workmen's compensation policy) 14. Request and obtain occupancy permit from ARPE 15. Request and obtain final approval from AAA (Water and Sewage authority) 16. Request and obtain final approval from PREPA (Electric Power authority) |
|--|---|

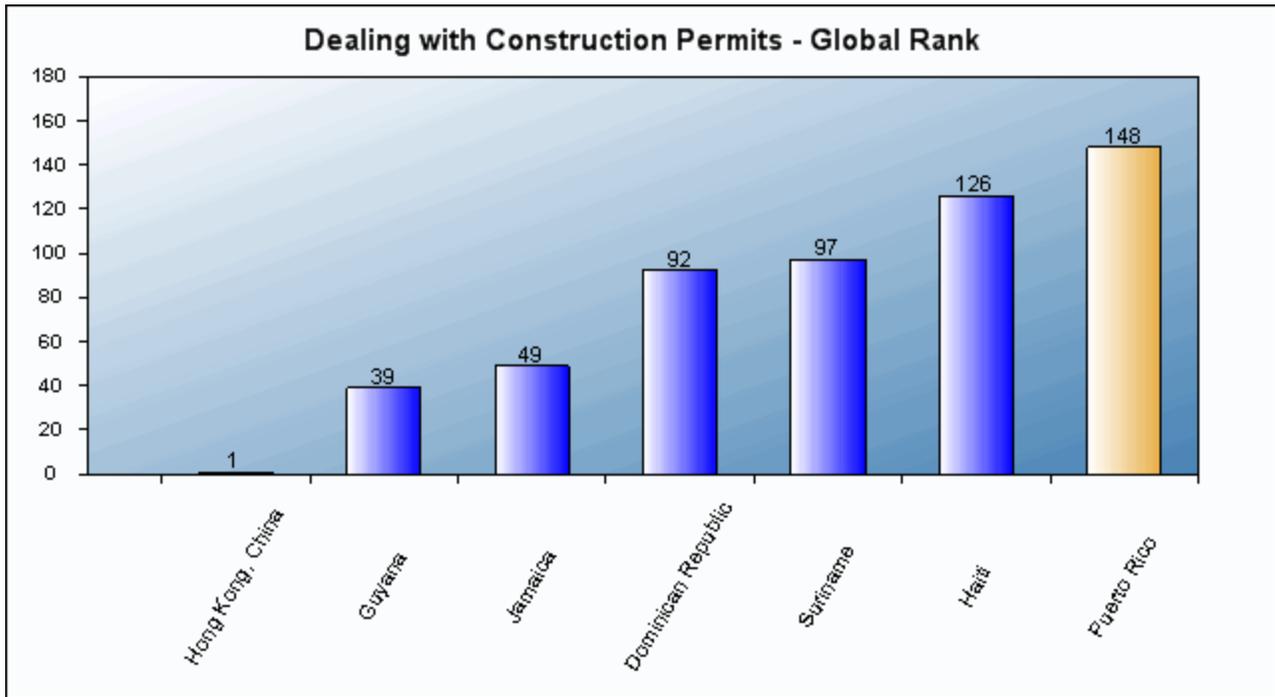
17. Request and obtain final approval from PRTC (Puerto Rico Telephone Company)
18. Request and obtain final approval from Environmental Quality Board
19. Request and obtain final approval from Natural Resources Department
20. Request and obtain water and sewage from AAA (Water and Sewage authority)
21. Request and connect to electricity services from PREPA (Electric Power authority)
22. Request and connect to phone services from PRTC (Puerto Rico Telephone Company)

More detail is included in the appendix.

4. Benchmarking Dealing with Construction Permits Regulations:

Puerto Rico is ranked 148 overall for Dealing with Construction Permits.

Ranking of Puerto Rico in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for Puerto Rico compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)
Denmark	6		
Qatar			0.6
Singapore		25	

<i>Selected Economy</i>			
Puerto Rico	22	209	506.5

<i>Comparator Economies</i>			
Dominican Republic	17	214	131.6
Guyana	11	133	229.3
Haiti	11	1179	569.5
Jamaica	10	156	265.7
Suriname	14	431	95.7

Employing Workers

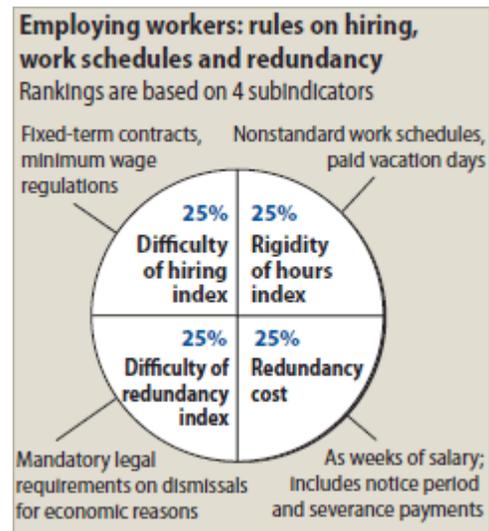
Economies worldwide have established a system of laws and institutions intended to protect workers and guarantee a minimum standard of living for its population. This system generally encompasses four bodies of law: employment, industrial relations, social security and occupational health and safety laws.

Employment regulations are needed to allow efficient contracting between employers and workers and to protect workers from discriminatory or unfair treatment by employers. Doing Business measures flexibility in the regulation of hiring, working hours and dismissal in a manner consistent with the conventions of the International Labour Organization (ILO). An economy can have the most flexible labor regulations as measured by Doing Business while ratifying and complying with all conventions directly relevant to the factors measured by Doing Business and with the ILO core labor standards. No economy can achieve a better score by failing to comply with these conventions.

Governments all over the world face the challenge of finding the right balance between worker protection and labor market flexibility. But in developing countries especially, regulators often err to one extreme, pushing employers and workers into the informal sector. Analysis across economies shows that while employment regulation generally increases the tenure and wages of incumbent workers, overly rigid regulations may have 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.

Methodology

Two measures are presented: a rigidity of employment index and a redundancy cost measure. The rigidity of employment index is the average of three sub-indices: difficulty of hiring, rigidity of hours and difficulty of redundancy. 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 taking into account legal provisions that refer specifically to small to medium-size companies in the manufacturing industry in which continuous operation is economically necessary, as well as mandated days of annual leave with pay. The difficulty of redundancy index covers workers' legal protections against dismissal, including the grounds permitted for dismissal and procedures for dismissal (individual and collective): notification and approval requirements, retraining or reassignment obligations and priority rules for dismissals and reemployment.



The Redundancy cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary.

Survey Case Study

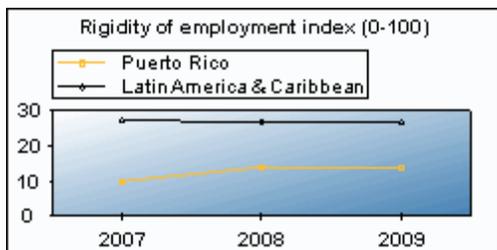
The business:

- is a limited liability company operating in the manufacturing sector
- is located in the largest business city
- is 100% domestically owned
- has 60 employees
- The company is also assumed to be subject to collective bargaining agreements in economies where such agreements cover more than half the manufacturing sector and apply even to firms not party to them.

1. Historical data: Employing Workers in Puerto Rico

Employing Workers data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	22	22
Redundancy costs (weeks of salary)	0	0	0
Rigidity of employment index (0-100)	10	14	14

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



3. Benchmarking Employing Workers Regulations:

Puerto Rico is ranked 22 overall for Employing Workers.

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



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

Good Practice Economies	Rigidity of employment index (0-100)	Redundancy costs (weeks of salary)
Hong Kong, China*	0	
New Zealand*		0

<i>Selected Economy</i>		
Puerto Rico	14	0

<i>Comparator Economies</i>		
Dominican Republic	21	88
Guyana	19	56
Haiti	10	17
Jamaica	4	62
Suriname	21	26

* The following economies are also good practice economies for :

Rigidity of employment index (0-100): Australia, Brunei Darussalam, Kuwait, Marshall Islands, Singapore, St. Lucia, Uganda, United States

Redundancy costs (weeks of salary): Denmark, Iraq, Marshall Islands, Micronesia, Fed. Sts., Palau, Puerto Rico, Tonga, United States

Registering Property

Formal property titles help promote the transfer of land, encourage investment and give entrepreneurs access to formal credit markets. But a large share of property in developing economies is not formally registered. Informal titles cannot be used as security in obtaining loans, which limits financing opportunities for businesses. Many governments have recognized this and started extensive property titling programs. But bringing assets into the formal sector is only part of the story. The more difficult and costly it is to formally transfer property, the greater the chances that formalized titles will quickly become informal again. Eliminating unnecessary obstacles to registering and transferring property is therefore important for economic development.

Efficient property registration reduces transaction costs and helps to formalize property titles. 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.

Methodology

Doing Business records the full sequence of procedures necessary for a business (buyer) to purchase a property from another business (seller) and to transfer the property title to the buyer's name. The property of land and building will be transferred in its entirety. The transaction is considered complete when the buyer can use the property as collateral for a bank loan.

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 economies 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)

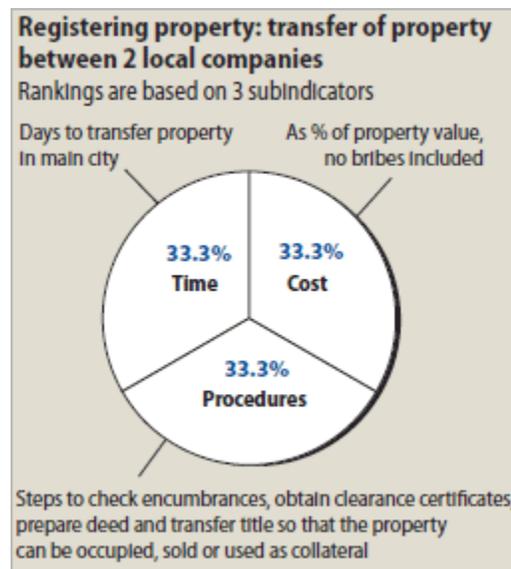
Survey Case Study

The buyer and seller:

- are limited liability companies
- are private nationals (no foreign ownership)
- are located in periurban area of the largest business city
- conduct general commercial activities

The property:

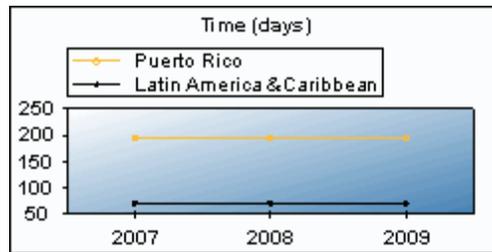
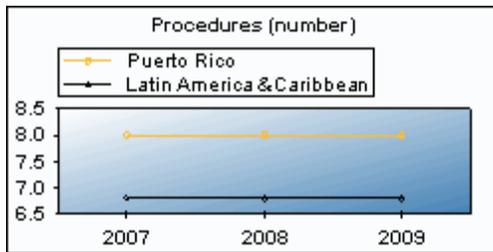
- consists of land and a 2-story building (warehouse)
- is located in the periurban commercial zone of the largest business city
- The land area is 557.4 m² (6,000 square feet).
- The warehouse has a total area of 929 m² (10,000 square feet).
- has a value equal to 50 times income per capita
- The seller company owned the property for the last 10 years.
- is registered in the land registry and/or cadastre and is free of all disputes.



1. Historical data: Registering Property in Puerto Rico

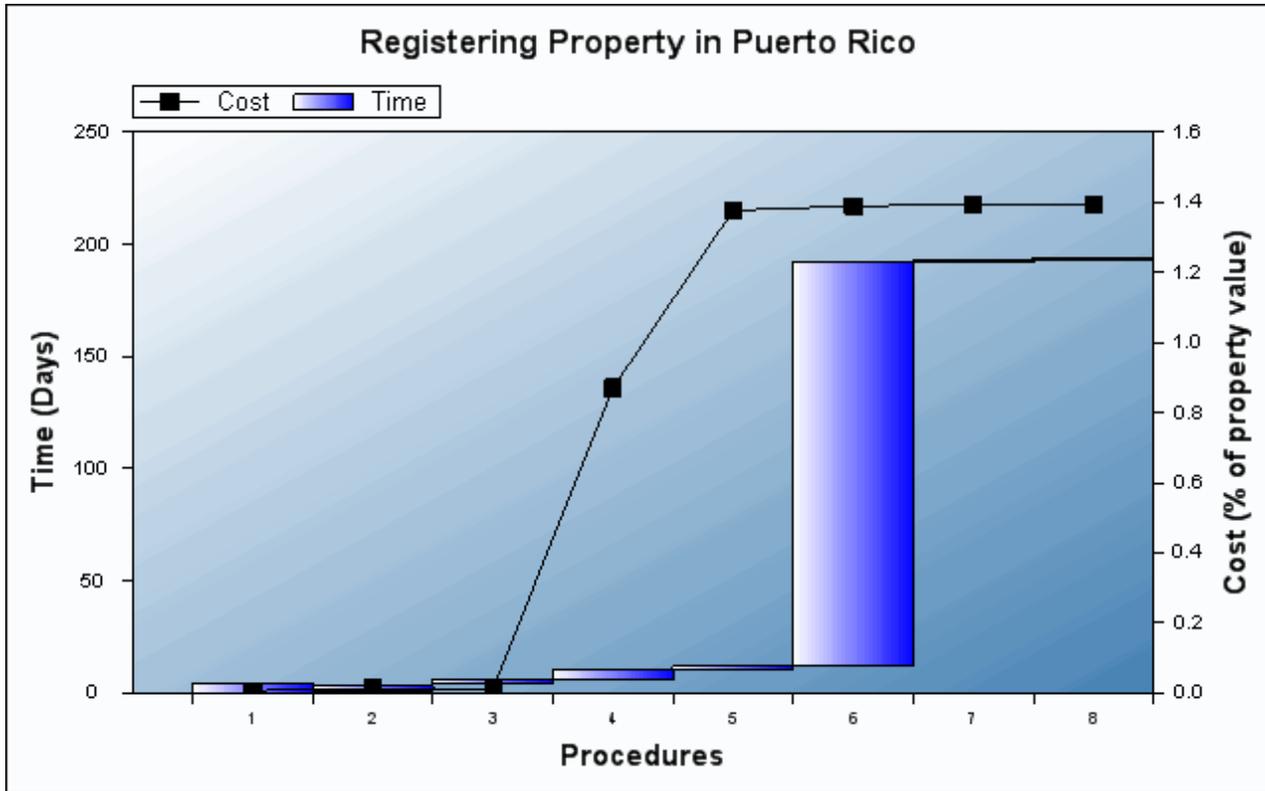
Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	125	124
Procedures (number)	8	8	8
Time (days)	194	194	194
Cost (% of property value)	1.4	1.5	1.4

2. The following graphs 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 1.39 % of property value to register the property in Puerto Rico.



List of Procedures:

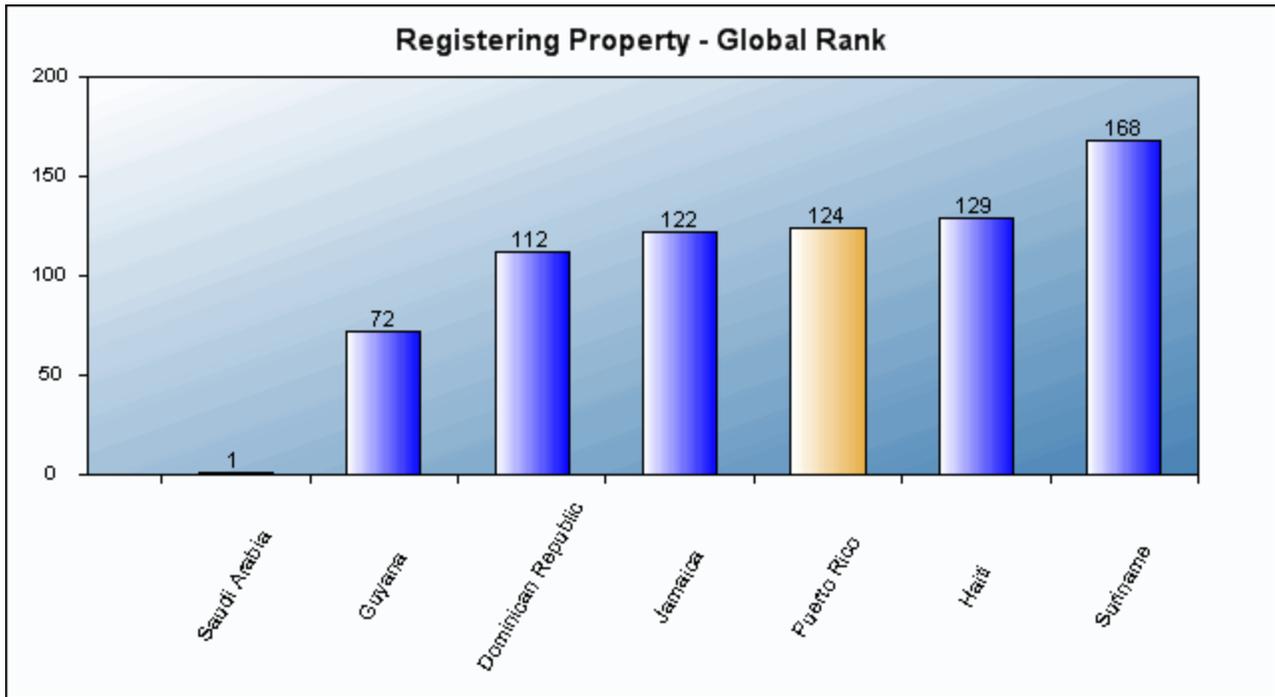
1. Obtain a property title report at the Property Registry
2. Obtain a property tax certificate from the Municipal Revenues Collection Center (CRIM)
3. Obtain Title Commitment for Title Insurance
4. The notary public prepares and authorizes and the parties execute the purchase and sale deed
5. Purchase Internal Revenue Stamps and Registry of Property filling vouchers
6. File and record 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 detail is included in the appendix.

4. Benchmarking Registering Property Regulations:

Puerto Rico is ranked 124 overall for Registering Property.

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



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

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of property value)
New Zealand*		2	
Norway*	1		
Saudi Arabia			0.0

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

<i>Comparator Economies</i>			
Dominican Republic	7	60	3.7
Guyana	6	34	4.5
Haiti	5	405	6.4
Jamaica	6	55	9.5
Suriname	6	197	13.8

* The following economies are also good practice economies for :

Procedures (number): United Arab Emirates

Time (days): Saudi Arabia, Thailand, United Arab Emirates

Getting Credit

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. They also free entrepreneurs from having to rely on personal connections alone when trying to obtain credit.

Methodology

Credit information: three indicators are constructed

- 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
- 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

Legal Rights: the strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders. Ten points are analyzed:

- Can a business use movable assets as collateral while keeping possession of the assets, and can any financial institution accept such assets as collateral?
- Does the law allow a business to grant a non-possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets?
- Does the law allow a business to grant a non-possessory security right in substantially all of its assets, without requiring a specific description of the secured assets?
- Can a security right extend to future or after-acquired assets and extend automatically to the products, proceeds or replacements of the original assets?
- Is general description of debts and obligations permitted in collateral agreements and in registration documents, so that all types of obligations and debts can be secured by stating a maximum rather than a specific amount between the parties?
- Is a collateral registry in operation that is unified geographically and by asset type as well as being indexed by the name of the grantor of a security right?
- Are secured creditors paid first when a debtor defaults outside an insolvency procedure or when a business is liquidated?
- Are secured creditors subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure?
- Are parties allowed to agree in a collateral agreement that the lender may enforce its security right out of court?

Legal Rights Survey Case Study

The Debtor:

- is a Private Limited Liability Company
- has its headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both debtor and creditor are 100% domestically owned.

Getting credit: collateral rules and credit information

Rankings are based on 2 subindicators

Regulations on nonpossessory security interests in movable property

62.5%
Strength of legal rights index
(0-10)

37.5%
Depth of credit information index
(0-6)

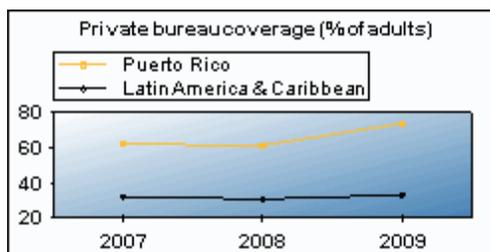
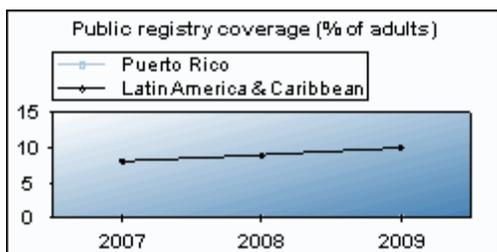
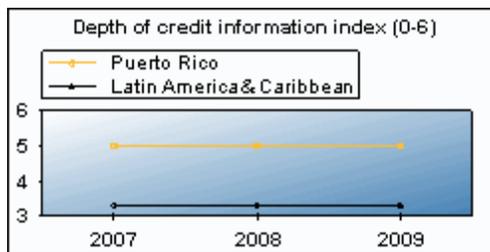
Scope, quality and accessibility of credit information through public and private credit registries

Note: Private bureau coverage and public registry coverage are measured but do not count for the rankings.

1. Historical data: Getting Credit in Puerto Rico

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	27	30
Strength of legal rights index (0-10)	7	7	7
Depth of credit information index (0-6)	5	5	5
Private bureau coverage (% of adults)	62.0	61.4	73.8
Public registry coverage (% of adults)	0.0	0.0	0.0

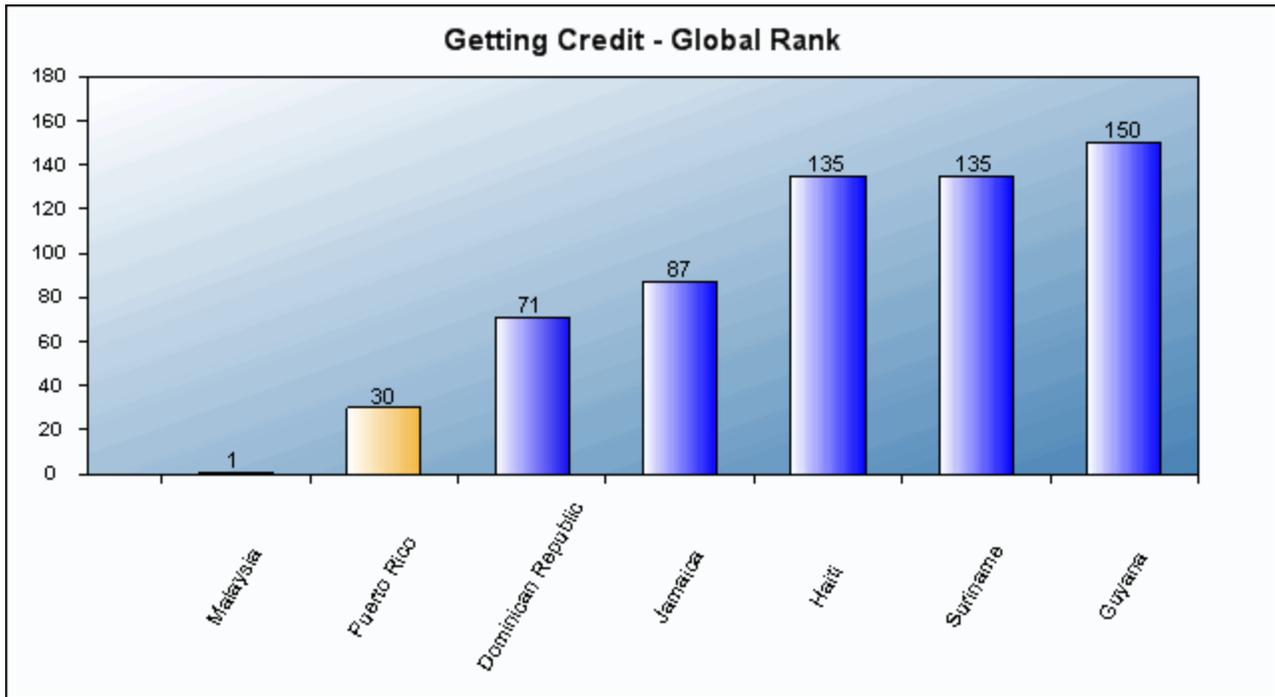
2. The following graphs illustrates the Getting Credit indicators in Puerto Rico over the past 3 years:



3. Benchmarking Getting Credit Regulations:

Puerto Rico is ranked 30 overall for Getting Credit.

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



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

Good Practice Economies	Strength of legal rights index (0-10)	Depth of credit information index (0-6)	Public registry coverage (% of adults)	Private bureau coverage (% of adults)
New Zealand*				100.0
Portugal			81.3	
Singapore*	10			
United Kingdom		6		

<i>Selected Economy</i>				
Puerto Rico	7	5	0.0	73.8

<i>Comparator Economies</i>				
Dominican Republic	3	6	29.7	46.1
Guyana	4	0	0.0	0.0
Haiti	3	2	0.7	0.0
Jamaica	8	0	0.0	0.0
Suriname	5	0	0.0	0.0

* The following economies are also good practice economies for :

Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia

Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States

27 countries have the highest credit information index.

Protecting Investors

Companies grow by raising capital, either through a bank loan or by attracting equity investors. Selling shares allows companies to expand without the need to provide collateral and repay bank loans. However, investors worry about their money, and look for laws that protect them. A study finds that the presence of legal and regulatory protections for investors explains up to 73% of the decision to invest. In contrast, company characteristics explain only between 4% and 22%*. Good protections for minority shareholders are associated with larger and more active stock markets. Thus both governments and businesses have an interest in reforms strengthening investor protections.

Methodology

To document some of the protections investors have, Doing Business measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gain. 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 three indices are:

- 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.

Survey case study

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 prejudicial to the purchasing company. Shareholders sue the interested parties and the members of the board of directors.

Several questions arise:

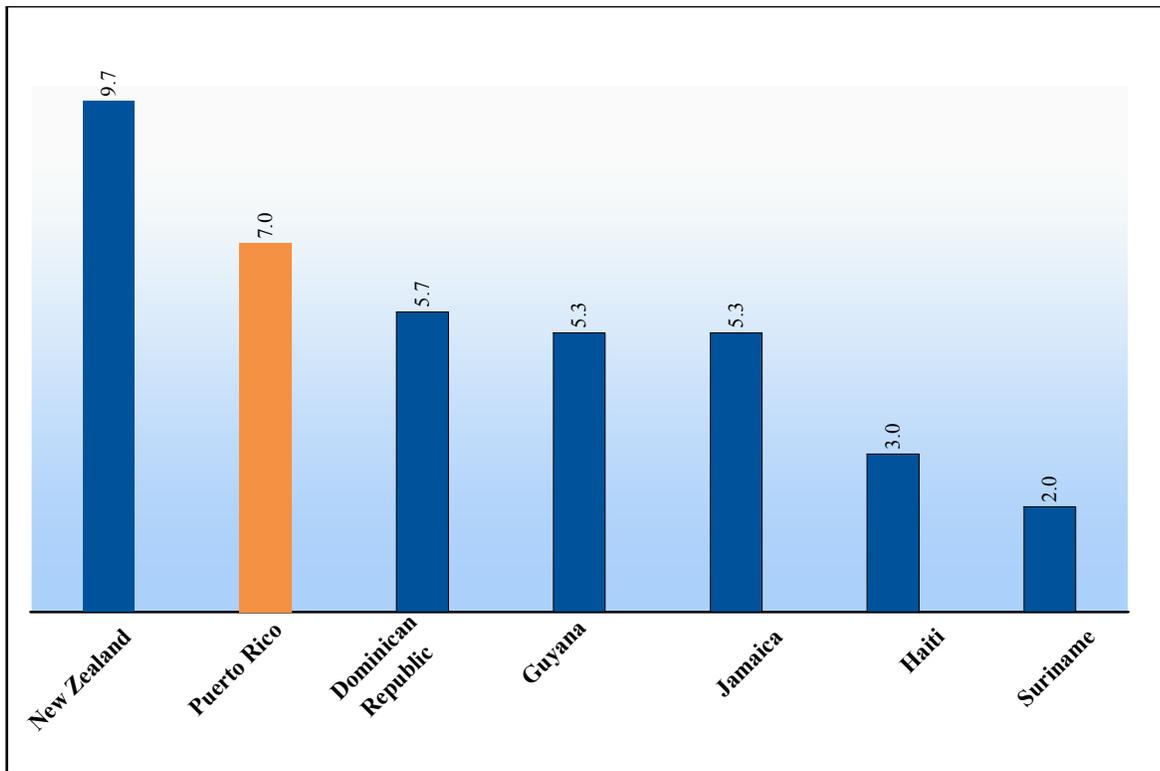
- Who approves the transaction?
- What information must be disclosed?
- What company documents can investors access?
- What do minority shareholders have to prove to get the transaction stopped or to receive compensation from Mr. James?

*Doidge, Kardy and Stulz (2007)

1. Historical data: Protecting Investors in Puerto Rico

Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	15	16
Strength of investor protection index (0-10)	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:

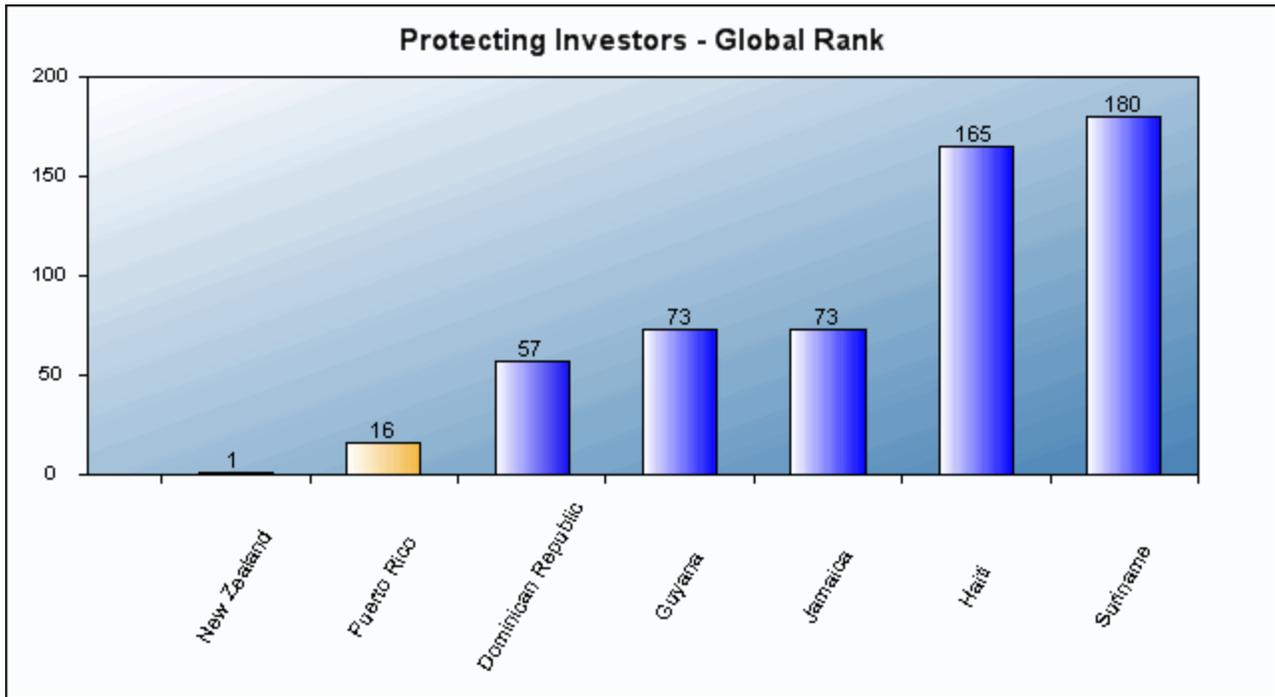


Note: The higher the score, the greater the investor protection.

3. Benchmarking Protecting Investors Regulations:

Puerto Rico is ranked 16 overall for Protecting Investors.

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



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

Good Practice Economies	Strength of investor protection index (0-10)
New Zealand	9.7

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

<i>Comparator Economies</i>	
Dominican Republic	5.7
Guyana	5.3
Haiti	3.0
Jamaica	5.3
Suriname	2.0

Paying Taxes

Taxes are essential. Without them there would be no money to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. But particularly for small and medium size companies, they may opt out and choose to operate in the informal sector. One way to enhance tax compliance is to ease and simplify the process of paying taxes for such businesses.

Methodology

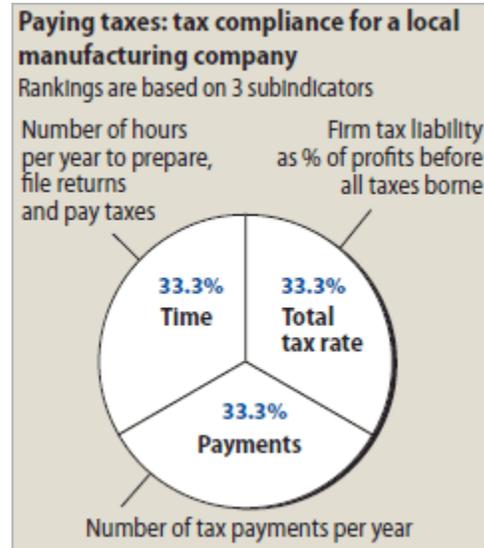
The Doing Business tax survey records the effective tax that a small and medium company must pay and the administrative costs of doing so.

Three indicators are constructed:

- number of tax payments, which takes in to account the method of payment, the frequency of payments and the number of agencies involved in our standardized case study.
- time, which measures the number of hours per year necessary to prepare and file tax returns and to pay the corporate income tax, value added tax, sales tax or goods and service tax and labor taxes and mandatory contributions.
- total tax rate, which measures the amount of taxes and mandatory contributions 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.

Survey case study

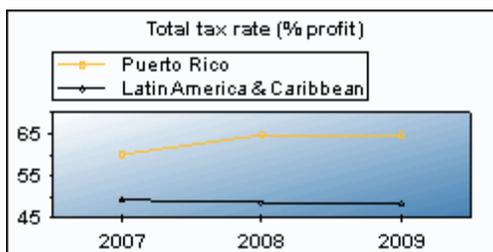
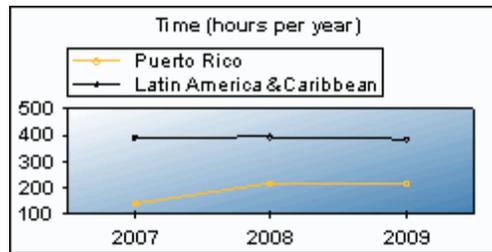
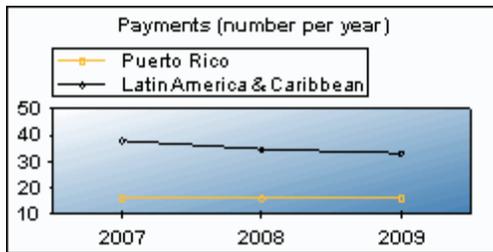
- TaxpayerCo is a medium-size business that started operations last year. Doing Business asks tax practitioners in 183 economies to review TaxpayerCo's financial statements and a standard list of transactions that the company completed during the year. Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government and include corporate income tax, turnover tax, all labor taxes and 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, sales tax and other small taxes (such as fuel tax, stamp duty and local taxes). A range of standard deductions and exemptions are also recorded.



1. Historical data: Paying Taxes in Puerto Rico

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	100	104
Total tax rate (% profit)	60.1	64.7	64.7
Payments (number per year)	16	16	16
Time (hours per year)	140	218	218

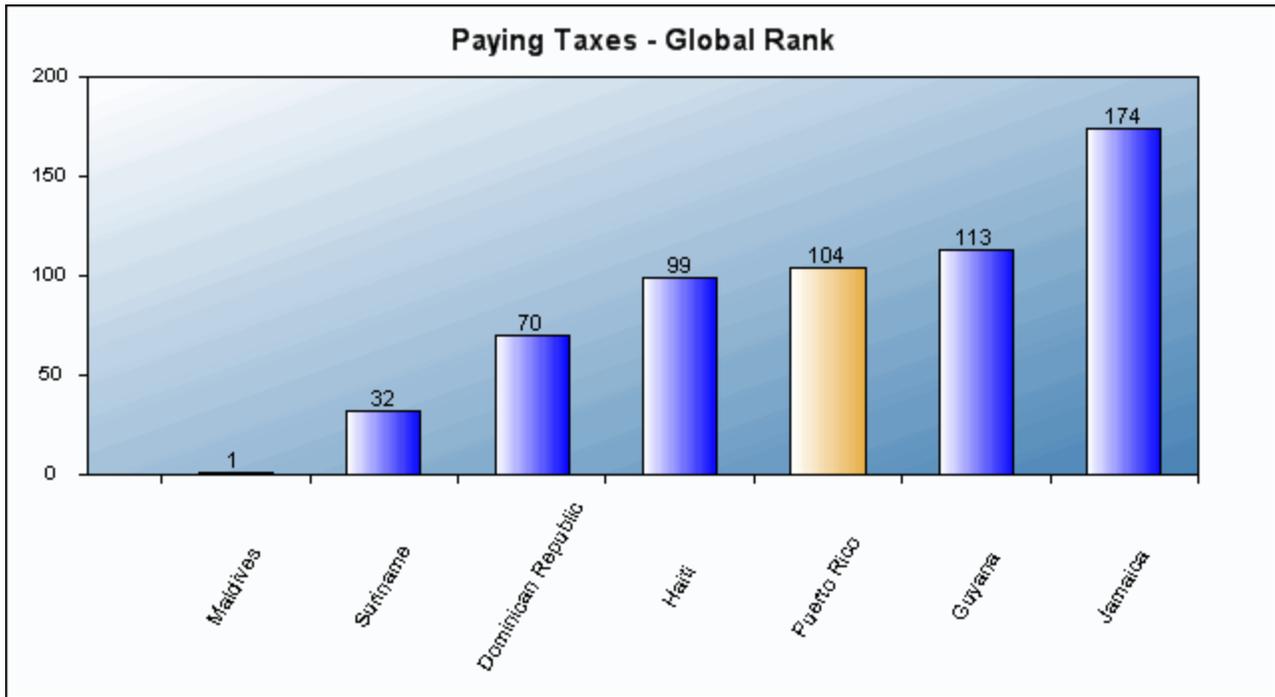
2. The following graphs illustrates the Paying Taxes indicators in Puerto Rico over the past 3 years:



3. Benchmarking Paying Taxes Regulations:

Puerto Rico is ranked 104 overall for Paying Taxes.

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



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

Good Practice Economies	Payments (number per year)	Time (hours per year)	Total tax rate (% profit)
Maldives*	1	0	
Timor-Leste			0.2

<i>Selected Economy</i>			
Puerto Rico	16	218	64.7

<i>Comparator Economies</i>			
Dominican Republic	9	324	39.0
Guyana	34	288	38.9
Haiti	42	160	40.1
Jamaica	72	414	51.3
Suriname	17	199	27.9

* The following economies are also good practice economies for :

Payments (number per year): Qatar

Trading Across Borders

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 bigger ships and faster planes, the world is shrinking. Global and regional trade agreements have reduced 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. Many entrepreneurs face numerous hurdles to exporting or importing goods, including delays at the border. They often give up. Others never try. In fact, the potential gains from trade facilitation may be greater than those arising from only tariff reductions.

Methodology

Doing Business compiles procedural requirements for trading a standard shipment of goods by ocean transport. Every 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 importer's 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. Payment is by letter of credit and the time and cost for issuing or securing a letter of credit is taken into account.

Documents recorded include port filing documents, customs declaration and clearance documents, as well as official documents exchanged between the parties to the transaction. Time is recorded in calendar days, from the beginning to the end of each procedure. Cost includes the fees levied on a 20-foot container in U.S. dollars.

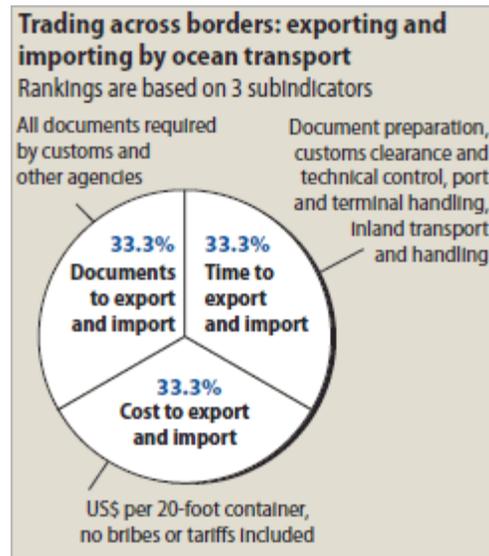
All the fees associated with completing the procedures to export or import the goods are included, such as costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or duties.

Economies 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 can lead 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 may avoid customs altogether. Instead, they smuggle goods across the border. This defeats the very purpose in having border control of trade to levy taxes and ensure high quality of goods.

Survey case study

To make the data comparable across countries, several assumptions about the business and the traded goods are used:

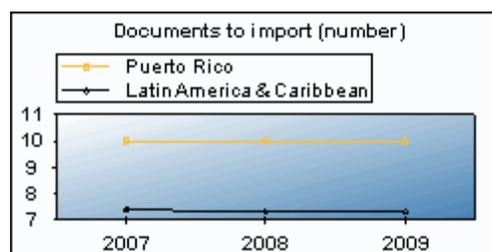
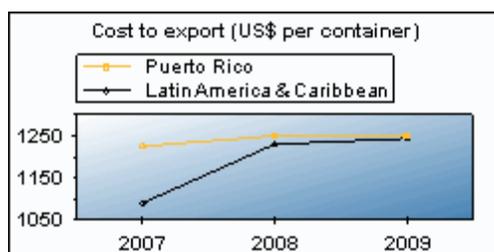
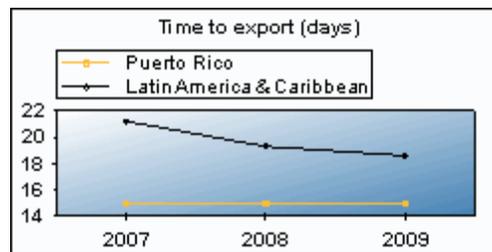
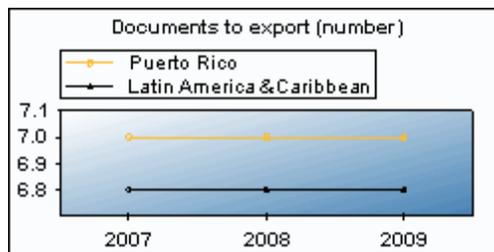
- The business is of medium size.
- The business employs 60 people.
- The business is located in the peri-urban area of the economy's largest business city.
- The business is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.
- The traded goods are ordinary, legally manufactured products transported in a dry-cargo, 20-foot FCL (full container load) container.

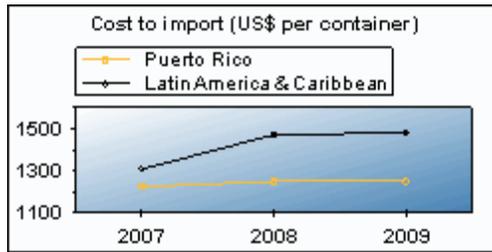
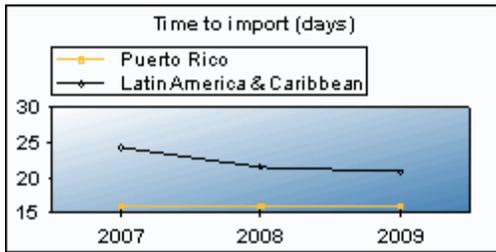


1. Historical data: Trading Across Borders in Puerto Rico

Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	104	105
Cost to export (US\$ per container)	1225	1250	1250
Cost to import (US\$ per container)	1225	1250	1250
Documents to export (number)	7	7	7
Documents to import (number)	10	10	10
Time to export (days)	15	15	15
Time to import (days)	16	16	16

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

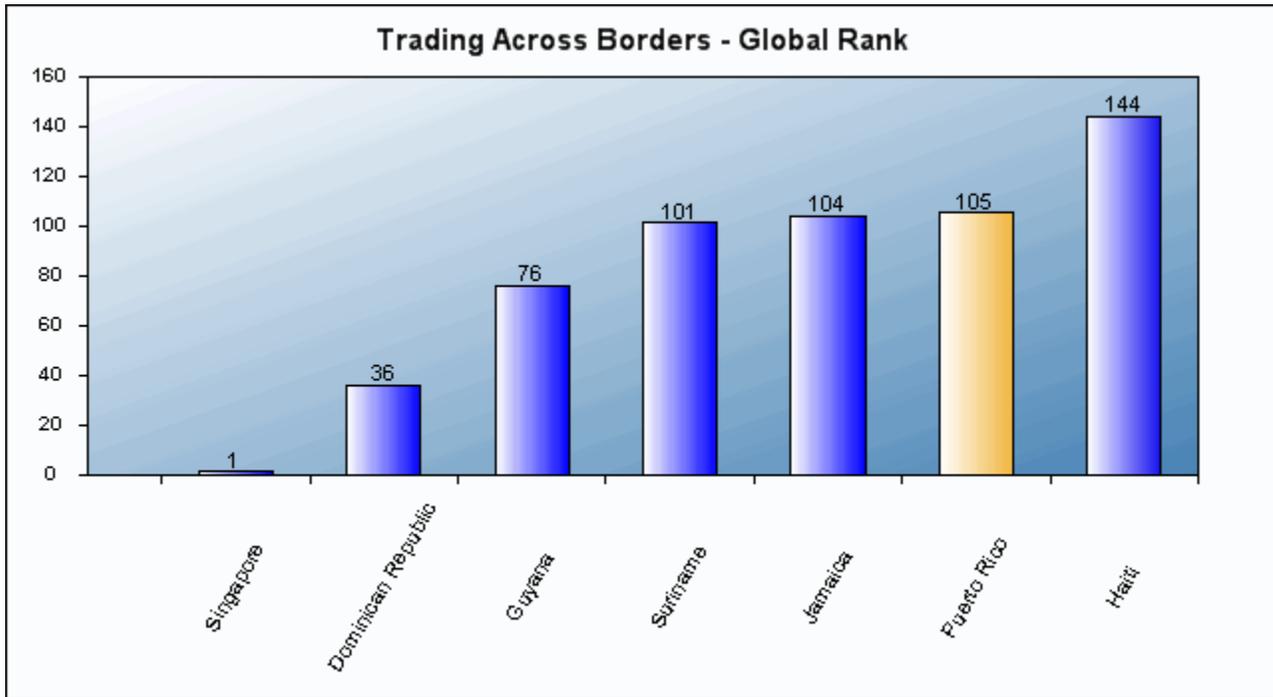




3. Benchmarking Trading Across Borders Regulations:

Puerto Rico is ranked 105 overall for Trading Across Borders.

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



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

Good Practice Economies	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
Denmark*		5				
France	2			2		
Malaysia			450			
Singapore					3	439

<i>Selected Economy</i>						
Puerto Rico	7	15	1250	10	16	1250

<i>Comparator Economies</i>						
Dominican Republic	6	9	916	7	10	1150
Guyana	7	20	730	8	24	730
Haiti	8	35	1005	10	33	1545
Jamaica	6	21	1750	6	22	1420
Suriname	8	25	975	7	25	885

* The following economies are also good practice economies for :

Time to export (days): Estonia

Enforcing Contracts

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 is collected through study of the codes of civil procedure and other court regulations as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Justice delayed is often justice denied. And in many economies only the rich can afford to go to court. For the rest, justice is out of reach. In the absence of efficient courts, firms undertake fewer investments or business transactions. And they prefer to involve only a small group of people who know each other from previous dealings.

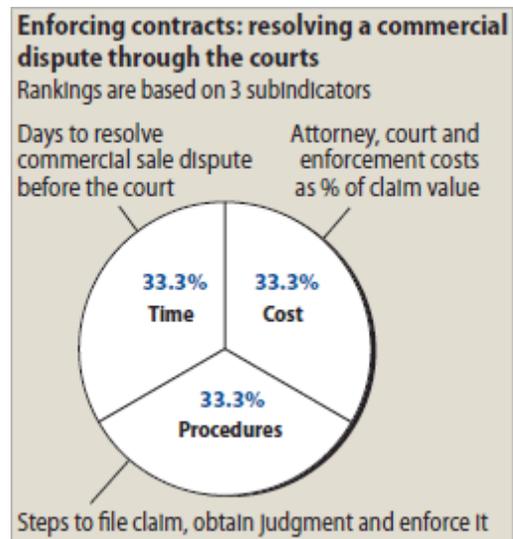
Methodology

Rankings on enforcing contracts are based on 3 sub-indicators:

- number of procedures, which are defined as any interaction between the parties or between them and the judge or court officer. This includes steps to file the case, steps for trial and judgment and steps necessary to enforce the judgment.
- time, which counts the number of calendar days from the moment the Seller files the lawsuit in court until payment is received. This includes both the days on which actions take place and the waiting periods in between.
- cost, which is recorded as a percentage of the claim (assumed to be equivalent to 200% of income per capita). Three types of costs are recorded: court costs (including expert fees), enforcement costs (including costs for a public sale of Buyer's assets) and attorney fees.

Survey case Study

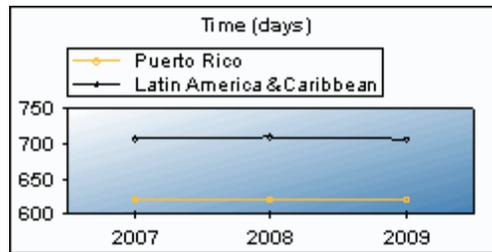
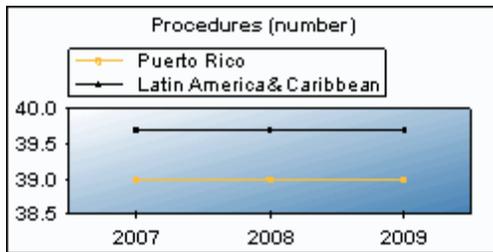
- The dispute concerns a contract for the sale of goods between two businesses (the Seller and the Buyer).
- Both are located in the economy's largest business city.
- The Seller sells and delivers goods, worth 200% of the economy's income per capita, to the Buyer. The Buyer refuses to pay on the grounds that they were not of adequate quality.
- The Seller sues the Buyer to recover the amount under the sales agreement (200% of the economy's income per capita).
- The claim is filed before a court in the economy's largest business city with jurisdiction over commercial cases worth 200% of the income per capita and is disputed on the merits.
- Judgment is 100% in favor of the Seller and is not appealed.
- The Seller enforces the judgment and the money is successfully collected through a public sale of Buyer's assets.



1. Historical data: Enforcing Contracts in Puerto Rico

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	96	97
Procedures (number)	39	39	39
Time (days)	620	620	620
Cost (% of claim)	24.3	24.3	24.3

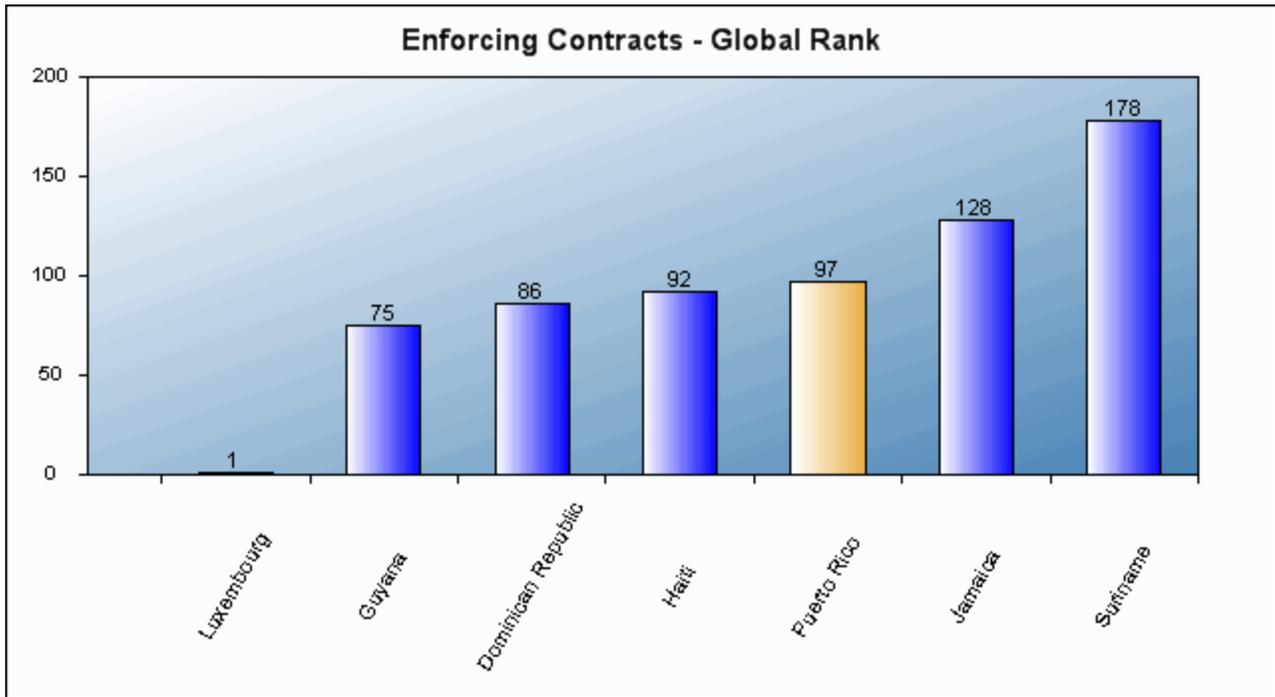
2. The following graphs illustrates the Enforcing Contracts indicators in Puerto Rico over the past 3 years:



3. Benchmarking Enforcing Contracts Regulations:

Puerto Rico is ranked 97 overall for Enforcing Contracts.

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



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

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of claim)
Bhutan			0.1
Ireland	20		
Singapore		150	

<i>Selected Economy</i>			
Puerto Rico	39	620	24.3

<i>Comparator Economies</i>			
Dominican Republic	34	460	40.9
Guyana	36	581	25.2
Haiti	35	508	42.6
Jamaica	35	655	45.6
Suriname	44	1715	37.1

Closing a Business

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.

Bottlenecks in bankruptcy cut into the amount claimants can recover. In countries where bankruptcy laws are inefficient, 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.

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.

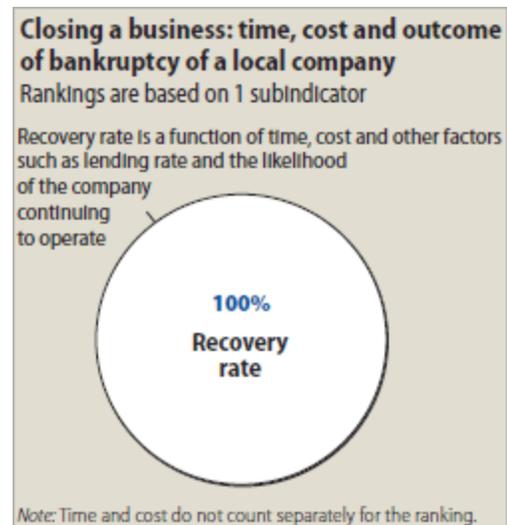
Methodology

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.

Survey case study

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:

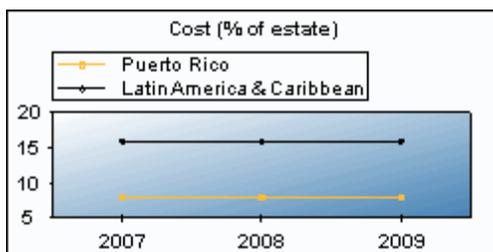
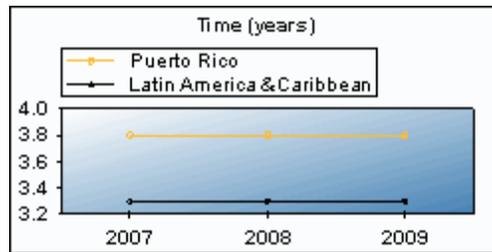
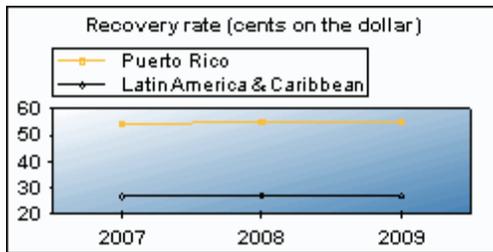
- the company is a domestically owned
- the company is a limited liability corporation operating a hotel in the country's largest business city
- the company has 201 employees, 1 main secured creditor and 50 unsecured creditors
- Assumptions are also made about the future cash flows.
- The case is designed 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.



1. Historical data: Closing Business in Puerto Rico

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	30	30
Time (years)	3.8	3.8	3.8
Cost (% of estate)	8	8	8
Recovery rate (cents on the dollar)	54.1	55.2	55.2

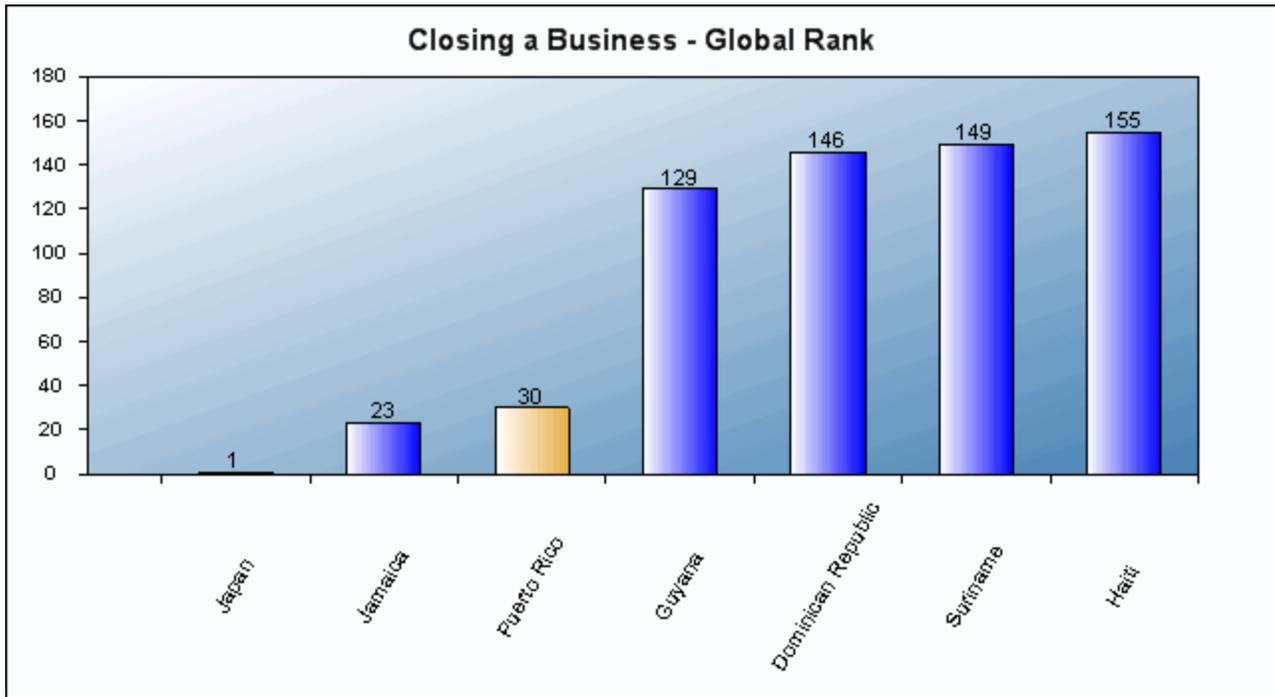
2. The following graphs illustrates the Closing Business indicators in Puerto Rico over the past 3 years:



3. Benchmarking Closing Business Regulations:

Puerto Rico is ranked 30 overall for Closing a Business.

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



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

Good Practice Economies	Recovery rate (cents on the dollar)	Time (years)	Cost (% of estate)
Ireland		0.4	
Japan	92.5		
Singapore*			1

<i>Selected Economy</i>			
Puerto Rico	55.2	3.8	8

<i>Comparator Economies</i>			
Dominican Republic	8.9	3.5	38
Guyana	17.6	3.0	29
Haiti	2.7	5.7	30
Jamaica	64.5	1.1	18
Suriname	8.1	5.0	30

* The following economies are also good practice economies for :

Cost (% of estate): Colombia, Kuwait, Norway

Doing Business 2010 Reforms

Number of reforms in Doing Business 2010

Rank	Economy	Reforms									Total number of reforms
		Starting a Business	Dealing with Construction Permits	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	
1	Rwanda	✓		✓	✓	✓	✓		✓	✓	7
2	Kyrgyz Republic	✓	✓	✓	✓	✓		✓	✓		7
3	Macedonia, FYR	✓	✓	✓	✓	✓	✓	✓			7
4	Belarus	✓	✓	✓	✓			✓	✓		6
5	United Arab Emirates	✓	✓						✓		3
6	Moldova	✓			✓			✓			3
7	Colombia	✓	✓		✓	✓	✓	✓	✓	✓	8
8	Tajikistan	✓	✓		✗	✓	✓			✓	5
9	Egypt, Arab Rep.	✓	✓			✓			✓		4
10	Liberia	✓	✓					✓			3
	Puerto Rico										
	Suriname				✗						0
	Dominican Republic						✓				1
	Jamaica				✓						1
	Guyana	✓						✓			2
	Haiti					✓		✓			2

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.

Belarus	Belarus eased the process for getting construction permits by simplifying approval processes. Restrictions relating to redundancy dismissals were eased by raising the threshold for prior notification requirements. Tax payments were made more convenient through increased use of electronic systems—reducing tax compliance times—while lower ecological and turnover tax rates and a reduction in the number of payments for property tax reduced the tax burden on businesses. Property registration continues to improve, with faster processing and elimination of the requirement for notarization. Business start-up was eased by simplifying registration formalities, abolishing the minimum capital requirement, limiting the role of notaries, and removing the need for a company seal approval. Implementation of a risk-based management system and improvement of border crossing operations reduced transit times for trade.
Colombia	Colombia passed several decrees continuing its efforts to regulate the profession of insolvency administrators. The government eased the construction permit process with a new construction decree that categorizes building projects based on risk and allows electronic verification for certain documents. Access to credit improved thanks to a new credit information law that guarantees the right of borrowers to inspect their own data and new rules that make it mandatory for credit providers to consult and share information with credit bureaus. The tax burden on businesses was eased with the introduction of electronic tax filing and payment, and some payments were reduced. An amendment to the Company Law strengthened investor protections by making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was made easier by making it possible to obtain required certificates online and by making standard preliminary sale agreements available free of charge. Business start-up was made easier by creating a public-private health provider that enables faster affiliation of employees and through a tool that allows online pre-enrollment with the social security office. Implementation of an electronic declaration system has expedited customs clearance.
Dominican Republic	The Dominican Republic adopted a new company law that strengthened investor protections by requiring greater corporate disclosure, director liability, and shareholder access to information.
Egypt, Arab Rep.	The Arab Republic of Egypt, a former global leading reformer and a regional leading reformer in 2008/09, continued to make it easier to deal with construction permits by issuing executive articles for the 2008 construction law and eliminating most preapprovals for construction permits. Contract enforcement was expedited with the creation of commercial courts. Access to credit information has expanded with the addition of retailers to the database of the private credit bureau. Finally, company start-up was eased by the removal of the minimum capital requirement.
Guyana	Guyana eased business start-up by applying a flat registration fee for all companies, regardless of their capital amount, and removing the duty payable on incorporation. It also streamlined registration with the tax authorities with the introduction of a single tax identification number for corporate, value added, and labor taxes. Implementation of an electronic declaration system reduced customs clearance times for exports and imports.
Haiti	Haiti strengthened access to credit with a new law that broadens the scope of assets that can be used as collateral, allows future and after-acquired property to be used as collateral, and extends the security interest of the creditor automatically to the products, proceeds, and replacements of the original asset. With the implementation of the ASYCUDA system and 24-hour operations at the port, goods can be cleared faster in Haiti.
Jamaica	Jamaica reduced the property transfer tax from 6.5 percent of the value of the property to 5 percent.
Kyrgyz Republic	The Kyrgyz Republic eased the process for getting construction permits by streamlining the fee structure, introducing a risk-based system of approval and building control, allowing low-risk projects to conduct an internal building control process, and simplifying the process for obtaining utility connections. Requirements relating to redundancy dismissals and worker reassignment were eased. Access to credit was enhanced by making secured lending more flexible and allowing general descriptions of encumbered assets and of debts and obligations. In addition, amendments to the Civil Code provide for automatic extension of security rights to proceeds of the original assets. The tax burden on businesses was eased by reducing the rates for several taxes and the number of payments for several. Surveying and notarization requirements were made optional for property registration, and business start-up was eased by eliminating the minimum capital requirement, reducing the registration time, and abolishing various post-registration fees and the need to open a bank account before registration. The elimination of six previously required documents and the simplification of inspection procedures has sped up trading across borders.

Liberia	Liberia eased the process for getting construction permits by lowering the permit fee and cost of obtaining a power generator, abolishing the requirement to obtain a tax waiver certificate before submitting documents to obtain a building permit, and making fixed telephone connections more readily available for public use with the reopening of the national phone company. Business start-up was eased by removing the need to obtain an environmental impact assessment when forming a general trading company. The trade process was expedited by creating a one-stop shop bringing together various ministries and agencies, and streamlining the inspection regime.
Macedonia, FYR	The Former Yugoslav Republic of Macedonia has been reforming the construction permit process, shortening waiting times but raising fees. Worker hiring was made more flexible by allowing greater use of fixed-term contracts, easing restrictions on working hours, and making redundancy dismissals more flexible. The public credit bureau increased its coverage by introducing a better database that includes more information and by lowering the minimum loan threshold. Social security payments were classified in five groups, and social security contribution rates reduced. Investor protections were increased by regulating the approval of transactions between interested parties, increasing disclosure requirements in annual reports, and making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was eased with the introduction of new time limits at the real estate cadastre—reducing the average time to register a title deed by eight days—and a non-encumbrance certificate can now be obtained from the real estate registry instead of through the court. Business start-up was simplified by integrating procedures at a one-stop shop.
Moldova	Moldova lowered the rates for social security contributions paid by employers. Property registration was simplified by eliminating the requirement for a cadastral sketch, reducing procedures from six to five and days from 48 to 5. Business start-up was eased by implementing an expedited company registration service.
Puerto Rico	In Puerto Rico no major reform was recorded.
Rwanda	Rwanda improved the process for dealing with distressed companies with a new law aimed at streamlining reorganization. Employing workers was made easier by abolishing the maximum duration for fixed-term contracts and allowing unlimited renewals of such contracts, as well as by allowing redundancy procedures to be more flexible, with consultation and notification of third parties no longer required. Getting credit was made easier with a new secured transactions act and insolvency act to make secured lending more flexible, allowing a wider range of assets to be used as collateral and a general description of debts and obligations. In addition, out of court enforcement of collateral has become available to secured creditors, who also now have top priority within bankruptcy. A new company law has strengthened investor protections by requiring greater corporate disclosure, director liability, and shareholder access to information. Property registration was simplified by decreasing the number of days required to transfer a property. Business start-up was eased by eliminating a notarization requirement; introducing standardized memorandums of association; enabling online publication; consolidating name checking, registration fee payment, tax registration, and company registration procedures; and shortening the time required to process completed applications. By implementing administrative changes—such as increased operating hours and enhanced cooperation at the border, along with the removal of some documentation requirements for importers and exporters—Rwanda has improved trading times.
Suriname	Suriname implemented new valuation requirements to ensure proper tax payments at the land registry, which increased the procedures, cost, and time required to register property.
Tajikistan	Tajikistan amended its insolvency law, aiming to reduce statutory time limits and the costs of proceedings. Changes were introduced that simplified the construction permit process, reducing procedures and time. A new law on credit histories improves access to credit information by creating a private credit bureau. Investor protections were strengthened with amendments to the joint stock company law, increasing disclosure requirements for transactions involving conflicts of interest, allowing for greater director liability, and giving shareholders the chance to request that harmful related-party transactions be rescinded. The state duty for property transfer has quadrupled, raising the cost of registering property by 2.8 percent of a property's value. Business start-up was eased by reducing the minimum capital requirement and shortening the time to obtain a tax identification number.

United Arab Emirates

The United Arab Emirates shortened the time for delivering building permits by improving its online system for processing applications. Business start-up was eased by simplifying the documents needed for registration, abolishing the minimum capital requirement, and removing the requirement that proof of deposit of capital be shown for registration. Greater capacity at the container terminal, elimination of the terminal handling receipt as a required document, and an increase in trade finance products, have improved trade processes.

APPENDICES

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:

City: San Juan

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Check the uniqueness of the company name	1	0
2	Register the company at the Puerto Rico Department of State and obtain a business certificate	1	110
3	Apply for an employer identification number (EIN) with the Internal Revenue Service of the United States	1	0
4	Apply for a municipal business license (patente municipal)	1	0
5	Request unemployment and disability account numbers from the PR Department of Labor and Human Resources (Departamento del Trabajo y Recursos Humanos)	1	0
6	Subscribe to a workmen's insurance policy	1	0
7	File with the Registry of Merchants and Business, the Commercial Development Administration	1	0

Procedure 1 Check the uniqueness of the company name

Time to complete: 1

Cost to complete: 0

Comment:

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

Time to complete: 1

Cost to complete: 110

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.

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

Cost to complete: 0

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

Cost to complete: 0

Comment: Within 30 days of commencing operations, any person (natural or juridical) must apply for a municipal business license in the municipality 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). Upon request and compliance with certain requirements, the Company will be issued a provisional license. 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 of up to .5% of gross sales. 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

Cost to complete: 0

Comment: Unemployment insurance tax is administered by the Commonwealth of Puerto Rico Department of Labor and Human Resources. Temporary disability insurance may be obtained privately, and proof of such insurance filed with the Department of Labor, or it must be obtained from the Negociado de Seguro de Incapacidad No Ocupacional de los Trabajadores, SINOT.

Procedure 6 Subscribe to a workmen's insurance policy

Time to complete: 1

Cost to complete: 0

Comment: Workers' compensation insurance is provided by the State Insurance Fund Corporation (Corporación del Fondo de Seguro del Estado). 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

Cost to complete: 0

Comment: According to Mandatory Registry of Merchants and Businesses (Act 71 of August 12, 2000 as amended by Act 159 of August 10, 2002 and Act 304 of September 15, 2004), all natural and juridical persons engaged in business activities in Puerto Rico must register with the Mandatory Registry of Merchants and Businesses at the Commerce and Exportation Company. The registration form must be filed on or before July 15 of each year. However, if the business commenced its operations between January 1 and July 15, the filing of the registration form is to be filed on or before July 15 of the following year. The regulation (No. 6620) imposes high fines for failure to register.

Dealing with Construction Permits 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 2009

Estimated Warehouse Value:

City: San Juan

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Request and obtain land use authorization from ARPE (Regulations and Permits Authority)	30 days	USD 50
2	Request and obtain legal endorsement from Environmental Quality Board	60 days	USD 10
3 *	Request and obtain legal endorsement from Natural Resources Department	60 days	USD 10
4 *	Request and obtain legal endorsement from AAA (Water and Sewage Authority)	60 days	USD 10
5 *	Request and obtain legal endorsement from Municipal Government	18 days	USD 10
6 *	Request and obtain legal endorsement from PREPA (Electric Power authority)	14 days	USD 10
7 *	Request and obtain legal endorsement from PRTC (Puerto Rico Telephone Company)	7 days	USD 10
8 *	Request and obtain approval from Cultural Institute (Instituto Cultural)	14 days	USD 50
9 *	Request and obtain Fire Department approval (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 FSE (Workmen's compensation policy)	3 days	no charge
14	Request and obtain occupancy permit from ARPE	10 days	USD 100

15 *	Request and obtain final approval from AAA (Water and Sewage authority)	20 days	USD 500
16 *	Request and obtain final approval from PREPA (Electric Power authority)	20 days	USD 500
17 *	Request and obtain final approval from PRTC (Puerto Rico Telephone Company)	5 days	no charge
18 *	Request and obtain final approval from Environmental Quality Board	30 days	no charge
19 *	Request and obtain final approval from Natural Resources Department	30 days	no charge
20	Request and obtain water and sewage from AAA (Water and Sewage authority)	21 days	USD 3,000
21 *	Request and connect to electricity services from PREPA (Electric Power authority)	21 days	no charge
22 *	Request and connect to phone services from PRTC (Puerto Rico Telephone Company)	21 days	no charge

* Takes place simultaneously with another procedure.

Procedure 1 Request and obtain land use authorization from 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 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 Natural Resources Department

Time to complete: 60 days

Cost to complete: USD 10

Comment:

Procedure 4 Request and obtain legal endorsement from AAA (Water and Sewage Authority)

Time to complete: 60 days

Cost to complete: USD 10

Comment:

Procedure 5 Request and obtain legal endorsement from Municipal Government

Time to complete: 18 days

Cost to complete: USD 10

Comment:

Procedure 6 Request and obtain legal endorsement from PREPA (Electric Power authority)

Time to complete: 14 days

Cost to complete: USD 10

Comment:

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

Time to complete: 7 days

Cost to complete: USD 10

Comment:

Procedure 8 Request and obtain approval from 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 Fire Department approval (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 FSE (Workmen's compensation policy)

Time to complete: 3 days

Cost to complete: no charge

Comment:

Procedure 14 Request and obtain occupancy permit from 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 AAA (Water and Sewage authority)

Time to complete: 20 days

Cost to complete: USD 500

Comment:

Procedure 16 Request and obtain final approval from PREPA (Electric Power authority)

Time to complete: 20 days

Cost to complete: USD 500

Comment:

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

Time to complete: 5 days

Cost to complete: no charge

Comment:

Procedure 18 Request and obtain final approval from Environmental Quality Board

Time to complete: 30 days

Cost to complete: no charge

Comment:

Procedure 19 Request and obtain final approval from Natural Resources Department

Time to complete: 30 days

Cost to complete: no charge

Comment:

Procedure 20 Request and obtain water and sewage from AAA (Water and Sewage authority)

Time to complete: 21 days

Cost to complete: USD 3,000

Comment:

Procedure 21 Request and connect to electricity services from 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 phone services from 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.

Employing Workers Indicators (2009)	Answer	Score
Difficulty of hiring index (0-100)		22.2
Are fixed-term contracts prohibited for permanent tasks?	No	0
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?	0.57	0.67
Difficulty of redundancy index (0-10)		20.0
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 9 redundant workers?	No	0
Does the employer need the approval of a third party to terminate a group of 9 redundant workers?	No	0
Is there a retraining or reassignment obligation before an employer can make a worker redundant?	No	0
Are there priority rules applying to redundancies?	Yes	1
Are there priority rules applying to re-employment?	Yes	1
Redundancy costs (weeks of salary)		0.0
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
What is the legally mandated penalty for redundancy dismissal? (weeks of salary)		0.0
Rigidity of employment index (0-100)		14.1
Rigidity of hours index (0-100)		0.0
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 and do these apply when continuous operations are economically necessary?	No	0.00
Are there restrictions on "weekly holiday" work and do these apply when continuous operations are economically necessary?	No	0.00
What is the paid annual vacation (in working days) for an employee with 20 years of service?	15	0

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

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

STANDARDIZED PROPERTY

Property Value: 781,479.79

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)	\$50
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	Cost of Vouchers = \$2,836.50, Stamps on the Original Purchase and Sale Deed = \$720, Stamps on Certified Copy of the Deed = \$360, Legal Aid Stamp = \$25 on the Original Deed and \$12.50 on the certified copy.
6	File and record 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: \$50

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. The report will show the status of the property at the time of the last registry. It provides details such as the owner, mortgages etc. and will also indicate if the property is free from all encumbrances.

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 (Form AD-25) 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. This is required in order to obtain title insurance. Title insurance policies are designed to cover the borrower if there is any kind of fraud in the sale of the property.

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. 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: Cost of Vouchers = \$2,836.50, Stamps on the Original Purchase and Sales Deed = \$720, Stamps on the Certified Copy of the Deed = \$360, Legal Aid Stamps = \$25 on the Original Deed and \$12.50 on the certified copy.

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 the cost of Vouchers ("Comprobantes") the formula is: the amount of the sale divided by 1000 multiplied by 4, minus 50. For the cost of stamps on the original deed one must divide the amount of the sale by 1000, plus 1. For the cost of stamps on the certified copy one must take the cost of stamps for the original deed and divide it by 2.

Procedure 6 File and record 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 in ten days. The Registry of Property records the sale and purchase deed in six months.

Procedure 7 File the notice of sale with the Treasury Department

Time to complete: 1 day

Cost to complete: \$20

Comment: The Notary Public has to file to notice of sale with the Treasury Department on or before the 10th day of the month following the transaction

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

Time to complete: 1 day

Cost to complete: \$20

Comment: The Notary Public has to file the notice of change of ownership with the CRIM on or before the 10th day of the month following the transaction.

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 (2009)			Indicator
			score
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	5
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
Coverage		73.8	0.0
Number of individuals	2,300,000		0
Number of firms	0		0

Strength of legal rights index (0-10)		7
Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?		Yes
Does the law allow businesses to grant a non possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets ?		Yes
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of the secured assets ?		Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?		No
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?		Yes
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?		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?

No

Does the law authorize parties to agree on out of court enforcement?

Yes

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.

Protecting Investors Data (2009)	Indicator
Extent of disclosure index (0-10)	7
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
Extent of director liability index (0-10)	6
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 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
Ease of shareholder suits index (0-10)	8
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

Strength of investor protection index (0-10) 7.0

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	78	7.00%	sales		
Capital Gains tax				15.00%	Gcapital Gain	0.00	
Unemployment insurance	4			5.70%	gross salaries	1.62	
Accident insurance	1			varies	gross salaries	2.31	
Real property tax	2			8.50%	replacement value of property	7.76	
Social security contributions	1	online filing	60	7.65%	gross salaries	8.63	
Municipal license tax	1			0.5%	sales	8.85	
Property tax	1			6.50%	book value of movable property	10.26	
Corporate income tax	5		80	5% to 19%	taxable profits	25.25	
Totals	16		218			64.7	

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 (2009)	Duration (days)	US\$ Cost
Documents preparation	6	250
Customs clearance and technical control	4	275
Ports and terminal handling	3	450
Inland transportation and handling	2	275
Totals	15	1250

Nature of Import Procedures (2009)	Duration (days)	US\$ Cost
Documents preparation	9	250
Customs clearance and technical control	2	275
Ports and terminal handling	3	450
Inland transportation and handling	2	275
Totals	16	1250

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
Packing list
Tax certificate
Terminal handling receipts

Enforcing Contracts in Puerto Rico

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

Nature of Procedure (2009)	Indicator
Procedures (number)	39
Time (days)	620
Filing and service	30.0
Trial and judgment	500.0
Enforcement of judgment	90.0
Cost (% of claim)*	24.30
Attorney cost (% of claim)	20.0
Court cost (% of claim)	4.0
Enforcement Cost (% of claim)	0.3

Court information: San Juan Court of First Instance("Tribunal de Primera Instancia")

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



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