

April 13, 2026

Tax Update

DDEC Clarifies Incentives Available for Film Projects and Creative Industries

On April 7, 2026, the Puerto Rico Department of Economic Development and Commerce (“DDEC”) issued Circular Letter No. DDEC 2026-003 (“Circular Letter”), clarifying the tax and economic incentives available for Film Projects and Creative Industries under Act 60-2019, as amended, known as the Puerto Rico Incentives Code (“Incentives Code”). The Circular Letter clarifies the scope of eligible activities, introduces a new master grant alternative for experienced film producers, and establishes administrative measures to streamline the evaluation of pending applications before the Puerto Rico Film Commission.

New Film Productions Master Grant

The Circular Letter introduces the Film Productions Master Grant, a new 15-year tax exemption grant designed to reduce administrative burdens for experienced producers planning multiple film productions in Puerto Rico. Available to producers with a proven track record of producing feature-length projects, this alternative allows successive Film Projects to be added to the same grant through an amendment request, rather than requiring a separate grant for each project.

Each successive Film Project added to the Master Grant will be considered subject to the balance of tax credits available for the fiscal year in which it is added. Individual Film Projects remain eligible for standalone grants; therefore, the Master Grant is offered as an additional alternative, not as a replacement.

Processing of Pending Film Project Applications

Beginning with the fiscal year starting on July 1, 2026, Film Project grant applications that remain unapproved will be dismissed by the



For more information on this Legal Update, please contact:

Alba I. Joubert Pereira
ajoubert@reichardescalera.com
787.777.8825
787.432.8356

Carlos E. Serrano
cserrano@reichardescalera.com
787.777.8815
787.406.5257

Sergio Perez
sperez@reichardescalera.com
787.777.8888

DDEC, and such dismissal will operate as a tacit denial. The Circular Letter encourages petitioners whose projects lack evidence of financing or sufficient project maturity to withdraw their applications prior to dismissal, so that they may reapply in a later fiscal year once the Film Project is ready to commence principal photography within 120 days of the issuance of the grant.

The Circular Letter also reiterates that Film Projects and Creative Industries activities for which the petitioner does not hold the intellectual property rights as Producer at the time of evaluation, as well as any Film Project produced prior to the approval of the grant, are ineligible and will result in denial of the application. The DDEC may also reclassify a project based on its actual characteristics, regardless of the category designated in the application.

Clarifications on Production Expenses for Film Tax Credits

The Circular Letter clarifies how certain production expenses must be substantiated and reported in order to be considered eligible Puerto Rico Production Expenses.

Payroll and Contracted Services

Payroll costs—including salaries, fringe benefits, and payments for contracted services—must be fully supported by the applicable Puerto Rico withholding and informational filings, specifically Forms W-2 PR and Puerto Rico Treasury Department Forms 480. These records must be provided to the independent auditor preparing the Agreed-Upon Procedures (AUP) report, which validates eligible Puerto Rico Production Expenses. In addition, these expenses must be properly reported in the Annual Exempt Business Report filed pursuant to the Film Project Grant, ensuring they are reflected in the incentive impact analysis and ROI calculations.

Producer Fees

Producer fee payments must be substantiated through invoices and verifiable proof of payment, such as receipts or canceled checks. These fees are subject to review and must be consistent with prevailing industry standards.

Financing Costs

Financing charges are eligible only if incurred after the effective approval date of the Film Project Grant. The Circular Letter reiterates that no vested right to tax credits, nor any assurance regarding their availability, exists prior to the formal execution and signature of the

grant by the Secretary of the Department of Economic Development and Commerce (DDEC).

Grants and Economic Incentives for Creative Industries

Beyond film, the Incentives Code recognizes a broad range of creative activities, including design (graphic, industrial, fashion, and interior), arts (music, visual, performing, and publications), media (application development, video games, online media, digital content, and multimedia), and creative services (architecture and creative education). Businesses engaged in these activities may be eligible for tax exemption grants.

The Circular Letter also clarifies that businesses receiving film tax credits or film economic incentives are not eligible for separate Creative Industries economic incentives. Additionally, Creative Industries businesses may access different incentive pathways depending on the nature of the activity, and registration in the Creative Industries Registry is required in order to obtain economic incentives.

Creative Industries Registry

The Circular Letter sets forth the procedure to follow and the required content of the application to obtain a Creative Industries Registry Certificate. Such certificate will have a two-year term from the date of issuance. Certificate holders are responsible for filing for renewal within the 30-day period preceding expiration and for complying with any information and documentation requirements established by the DDEC.

How We Can Help

The Circular Letter presents meaningful opportunities for experienced film producers and creative industry entrepreneurs operating in Puerto Rico. Producers and businesses currently holding or pursuing grants should assess how these clarifications may affect their existing applications, ongoing projects, and long-term planning.

If you have questions regarding any aspect of the incentives available for Film Projects and Creative Industries, the team at Reichard & Escalera LLC is ready to help. We encourage you to contact us to discuss how the Circular Letter may affect your projects and to ensure that your applications are structured to make the most of the incentives available under the Incentives Code

This communication is for information purposes only and does not constitute legal advice. This communication may be based on authorities that are subject to change and is not a substitute for professional advice or services. You should consult a qualified professional advisor before taking any action based on the information herein. This communication does not create an attorney-client relationship between Reichard & Escalera and the recipient.

[Unsubscribe.](#)