

Doing Business 2011

Puerto Rico

**Making
a Difference for
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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Business Reforms

Doing Business 2011: Making a Difference for Entrepreneurs is the eighth 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 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010*. 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, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies.

The following pages present the summary Doing Business indicators for Puerto Rico. The data used for this economy 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 2011: Making a Difference for Entrepreneurs* 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).

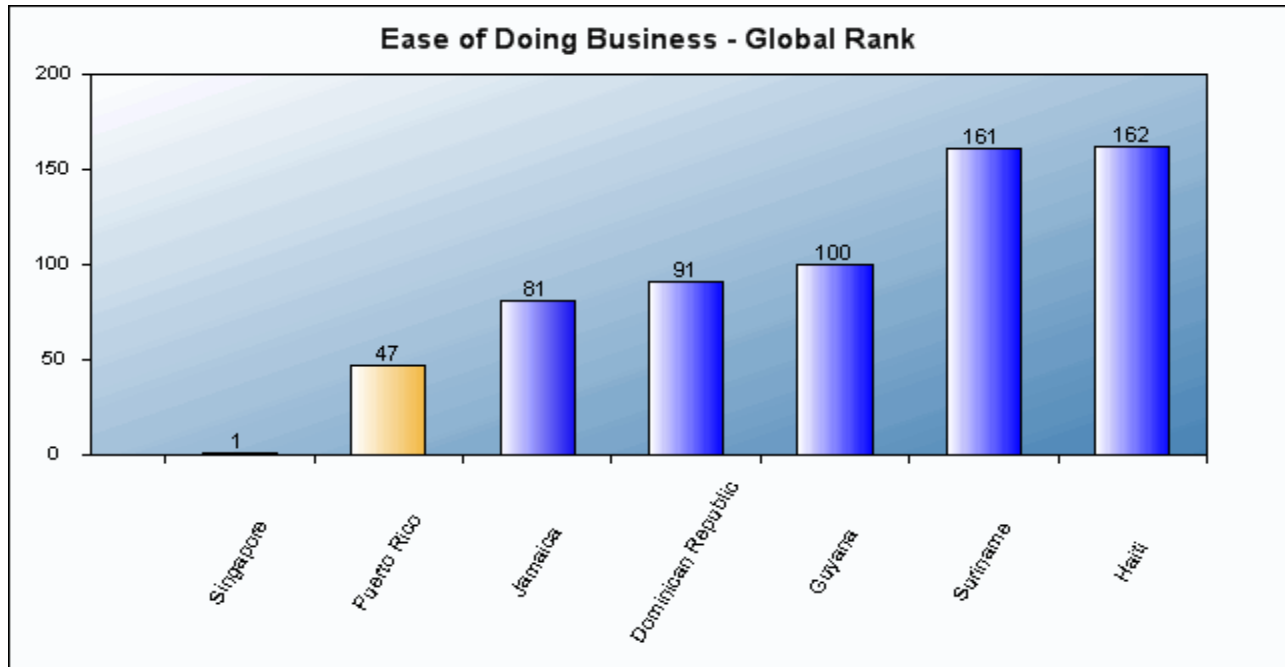
* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

Note: 2008-2010 Doing Business data and rankings have been recalculated to reflect changes to the methodology and the addition of new economies (in the case of the rankings).

Economy Rankings - Ease of Doing Business

Puerto Rico is ranked 47 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 2011

Rank	Doing Business 2011
Ease of Doing Business	47
Starting a Business	16
Dealing with Construction Permits	150
Registering Property	127
Getting Credit	32
Protecting Investors	16
Paying Taxes	108
Trading Across Borders	107
Enforcing Contracts	99
Closing a Business	25

Summary of Indicators - Puerto Rico

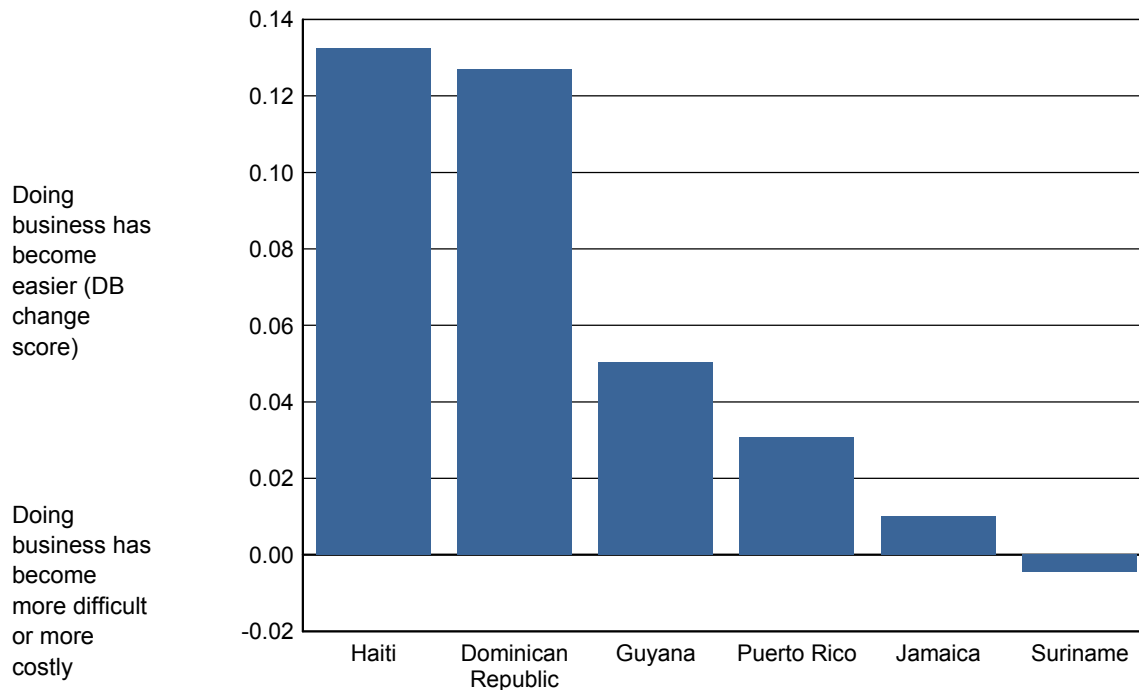
Starting a Business	Procedures (number)	7
	Time (days)	7
	Cost (% of income per capita)	0.7
	Min. capital (% of income per capita)	0.0
Dealing with Construction Permits	Procedures (number)	22
	Time (days)	209
	Cost (% of income per capita)	500.4
Registering Property	Procedures (number)	8
	Time (days)	194
	Cost (% of property value)	0.9
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)	71.5
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 (%)	26.3
	Labor tax and contributions (%)	14.4
	Other taxes (%)	27.0
	Total tax rate (% profit)	67.7
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)	25.6
Closing a Business	Recovery rate (cents on the dollar)	64.7
	Time (years)	3.8
	Cost (% of estate)	8

The 5 year measure of cumulative change illustrates how the business regulatory environment has changed in 174 economies from *Doing Business 2006* to *Doing Business 2011*. Instead of highlighting which countries currently have the most business friendly environment, this new approach shows the extent to which an economy's regulatory environment for business has changed compared with 5 years ago.

This snapshot reflects all cumulative changes in an economy's business regulation as measured by the Doing Business indicators-such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions.

This figure shows the distribution of cumulative change across the 9 indicators and time between *Doing Business 2006* and *Doing Business 2011*



Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

Some reform outcomes

In Egypt reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.

In Portugal creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.

In Malaysia reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.

What does Starting a Business measure?

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

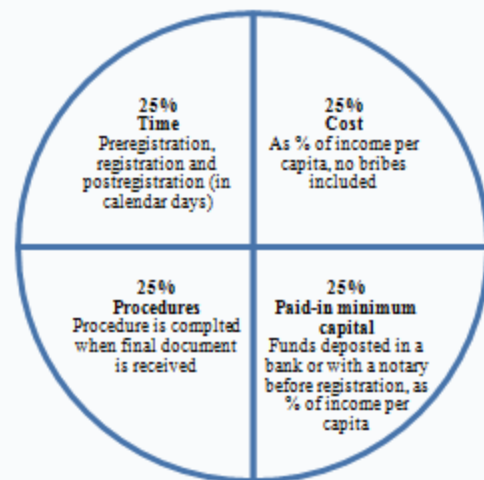
Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law

Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary prior to registration begins

Starting a Business: getting a local limited liability company up and running
Rankings are based on 4 subindicators



Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

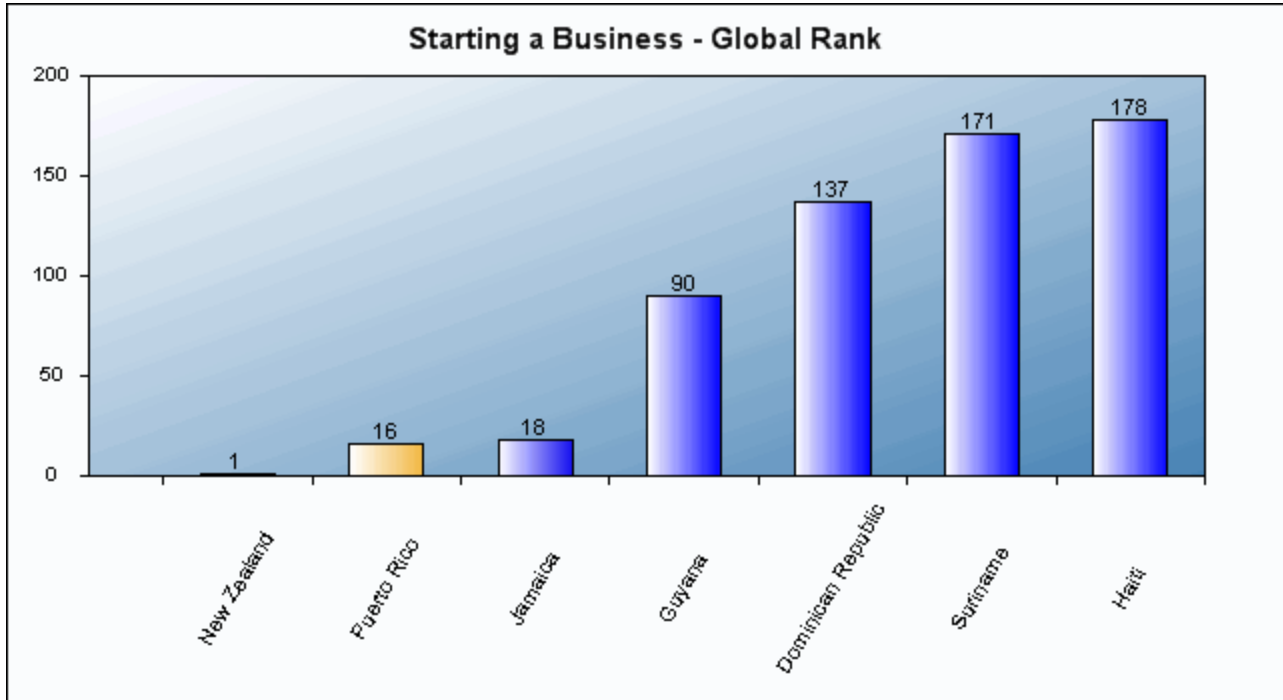
The business:

- is a limited liability company, located in the largest business city
- conducts general commercial activities
- 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 at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

1. Benchmarking Starting a Business Regulations:

Puerto Rico is ranked 16 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	19.2	62.6
Guyana	8	30	18.7	0.0
Haiti	13	105	212.0	20.7
Jamaica	6	8	5.2	0.0
Suriname	13	694	119.9	0.6

* The following economies are also good practice economies for :

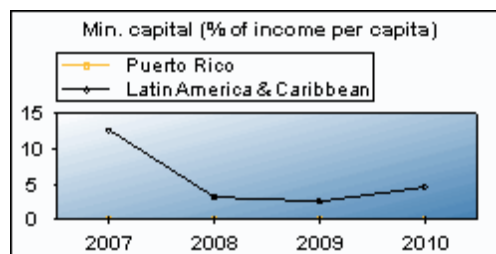
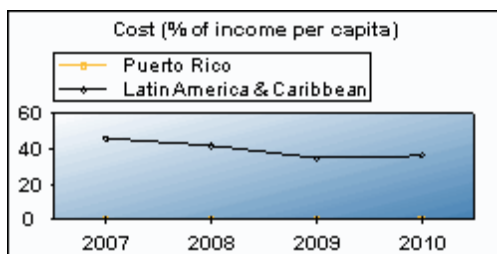
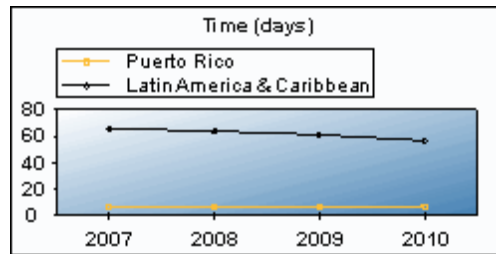
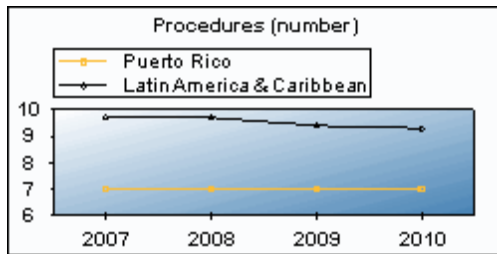
Procedures (number): **Canada**

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

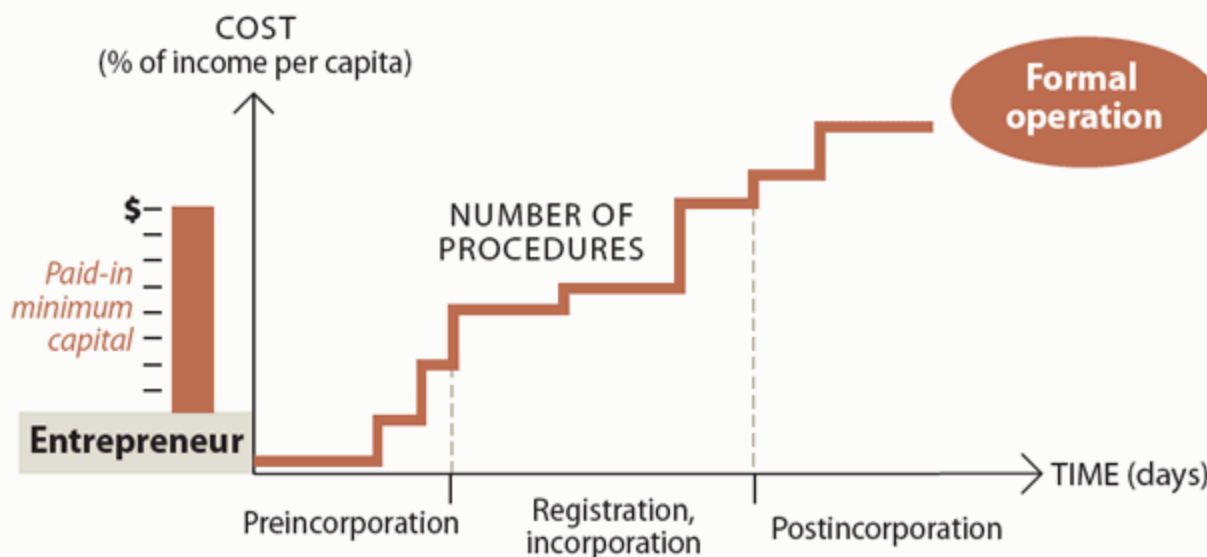
2. Historical data: Starting a Business in Puerto Rico

Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	15	16
Procedures (number)	7	7	7	7
Time (days)	7	7	7	7
Cost (% of income per capita)	0.8	0.8	0.7	0.7
Min. capital (% of income per capita)	0.0	0.0	0.0	0.0

3. The following graphs illustrate the Starting a Business sub indicators in Puerto Rico over the past 4 years:



What are the time, cost, paid-in minimum capital and number of procedures to get a local, limited liability company up and running?



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

STANDARDIZED COMPANY

Legal Form: Corporation

City: San Juan

Registration Requirements:

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

Starting a Business Details - Puerto Rico

Procedure 1 Check the uniqueness of the company name

Time to complete: 1

Cost to complete: no charge

Comment:

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

Time to complete: 1

Cost to complete: USD 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: no charge

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

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

Time to complete: 1

Cost to complete: no charge

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: no charge

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: no charge

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: no charge

Comment: According to Mandatory Registry of Merchants and Businesses (Act 171 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. The regulation (No. 7118), which replaced Regulation 6612 on March 20, 2006, imposes high fines for failure to register.

In many economies, especially developing 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.

Some reform outcomes

In Burkina Faso, a one-stop shop for construction permits, "Centre de Facilitation des Actes de Construire", was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40%. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002-06.

Toronto, Canada revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk-based approvals with fast-track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.

What does the Dealing with Construction Permits indicator measure?

Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes

Case Study Assumptions

The business:

- is a small to medium-size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

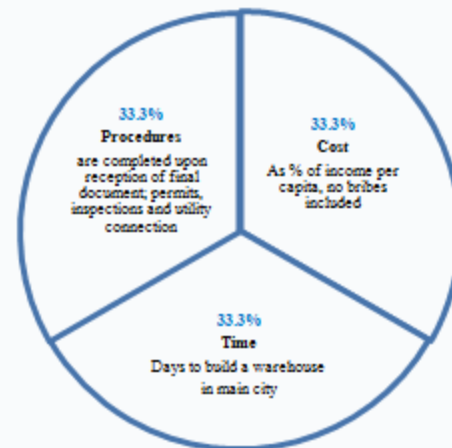
The warehouse:

- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- 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 a land telephone line
- will be used for general storage of non-hazardous goods, such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

Dealing with Construction Permits:

Building a warehouse

Rankings are based on 3 subindicators



1. Benchmarking Dealing with Construction Permits Regulations:

Puerto Rico is ranked 150 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			0.8
Singapore		25	

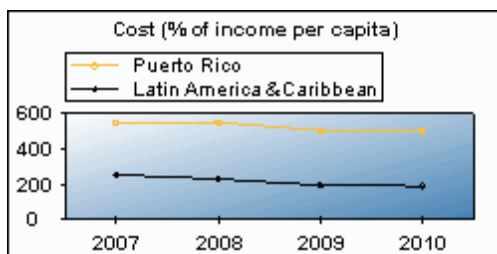
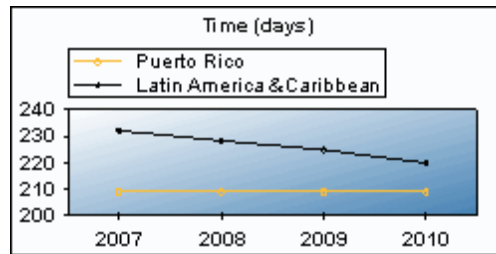
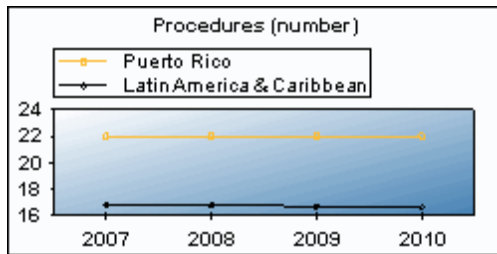
<i>Selected Economy</i>			
Puerto Rico	22	209	500.4

<i>Comparator Economies</i>			
Dominican Republic	17	214	126.7
Guyana	11	133	130.5
Haiti	11	1179	525.3
Jamaica	10	156	258.3
Suriname	14	431	88.9

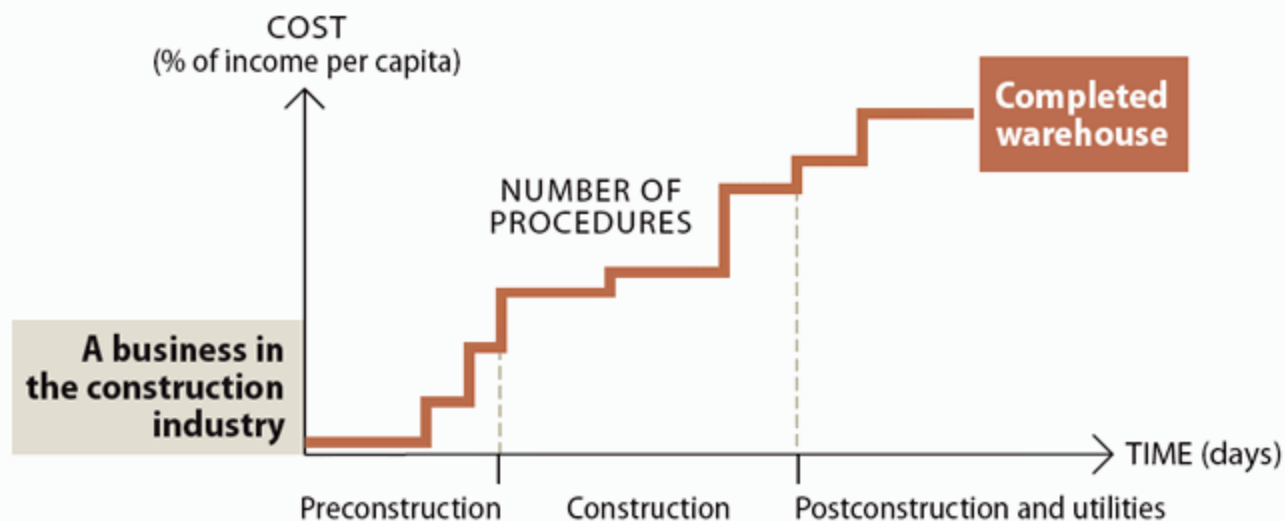
2. Historical data: Dealing with Construction Permits in Puerto Rico

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	150	150
Procedures (number)	22	22	22	22
Time (days)	209	209	209	209
Cost (% of income per capita)	550.8	550.8	506.5	500.4

3. The following graphs illustrate the Dealing with Construction Permits sub indicators in Puerto Rico over the past 4 years:



What are the time, cost and number of procedures to comply with formalities to build a warehouse?



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

BUILDING A WAREHOUSE

City: San Juan

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Request and obtain land use authorization from the ARPE (Regulations and Permits Authority)	30 days	USD 50
2	Request and obtain legal endorsement from the Environmental Quality Board	60 days	USD 10
3 *	Request and obtain legal endorsement from the Natural Resources Department	60 days	USD 10
4 *	Request and obtain legal endorsement from the AAA (water and sewerage authority)	60 days	USD 10
5 *	Request and obtain legal endorsement from the municipal government	18 days	USD 10
6 *	Request and obtain legal endorsement from the PREPA (electric power authority)	14 days	USD 10
7 *	Request and obtain legal endorsement from the PRTC (Puerto Rico Telephone Company)	7 days	USD 10

8 *	Request and obtain approval from the Cultural Institute (Instituto Cultural)	14 days	USD 50
9 *	Request and obtain approval from the Fire Department (bomberos)	14 days	USD 100
10 *	Buy stamps and pay the College of Engineers and Architects	1 day	USD 1,050
11	Submit construction drawings for approval to the ARPE (Regulations and Permits Authority) and obtain preliminary approval	60 days	USD 5,500
12 *	Pay municipal construction tax	1 day	USD 68,250
13 *	Request and obtain permit from the FSE (workers' compensation policy)	3 days	no charge
14	Request and obtain occupancy permit from the ARPE	10 days	USD 100
15 *	Request and obtain final approval from the AAA (water and sewerage authority)	20 days	USD 500
16 *	Request and obtain final approval from the PREPA (electric power authority)	20 days	USD 500
17 *	Request and obtain final approval from the PRTC (Puerto Rico Telephone Company)	5 days	no charge
18 *	Request and obtain final approval from the Environmental Quality Board	30 days	no charge
19 *	Request and obtain final approval from the Natural Resources Department	30 days	no charge
20	Request and obtain water and sewerage connection from the AAA (water and sewerage authority)	21 days	USD 3,000
21 *	Request and connect to electricity services through the PREPA (electric power authority)	21 days	no charge
22 *	Request and connect to telephone services through the PRTC (Puerto Rico Telephone Company)	21 days	no charge

* Takes place simultaneously with another procedure.

Dealing with Construction Permits Details - Puerto Rico

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

Time to complete: 30 days

Cost to complete: USD 50

Agency: ARPE (Regulations and Permits Authority)

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

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

Time to complete: 60 days

Cost to complete: USD 10

Agency: Environmental Quality Board

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

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

Time to complete: 60 days

Cost to complete: USD 10

Agency: Natural Resources Department

Comment:

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

Time to complete: 60 days

Cost to complete: USD 10

Agency: AAA (Water and Sewage Authority)

Comment:

Procedure 5 Request and obtain legal endorsement from the municipal government

Time to complete: 18 days

Cost to complete: USD 10

Agency: Municipal Government

Comment:

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

Time to complete: 14 days

Cost to complete: USD 10

Agency: PREPA (Electric Power authority)

Comment:

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

Time to complete: 7 days

Cost to complete: USD 10

Agency: PRTC (Puerto Rico Telephone Company)

Comment:

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

Time to complete: 14 days

Cost to complete: USD 50

Agency: Cultural Institute (Instituto Cultural)

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

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

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

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

Time to complete: 14 days

Cost to complete: USD 100

Agency: Fire Department

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

Agency: College of Engineers and Architects

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

Agency: ARPE (Regulations and Permits Authority)

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

Agency: Municipality

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

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

Time to complete: 3 days

Cost to complete: no charge
Agency: FSE (Workmen's compensation policy)
Comment:

Procedure 14 Request and obtain occupancy permit from the ARPE

Time to complete: 10 days
Cost to complete: USD 100
Agency: ARPE (Regulations and Permits Authority)
Comment: A licensed engineer or architect is responsible for ensuring that the building is compliant with the regulations and permit outlines, and for supervising the project during construction (inspections). At the end of the construction, the architect files with the authorities all plans, a final cost evaluation, and reports from all inspections. If the final cost differs from the original one, the difference in taxes must be paid. The architect guarantees compliance in an affidavit. There are inspections during construction, but they are all private. No officials from the municipality or the ARPE inspect the site.

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

Time to complete: 20 days
Cost to complete: USD 500
Agency: AAA (Water and Sewage Authority)
Comment:

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

Time to complete: 20 days
Cost to complete: USD 500
Agency: PREPA (Electric Power authority)
Comment:

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

Time to complete: 5 days
Cost to complete: no charge
Agency: PRTC (Puerto Rico Telephone Company)
Comment:

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

Time to complete: 30 days
Cost to complete: no charge
Agency: Environmental Quality Board
Comment:

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

Time to complete: 30 days
Cost to complete: no charge
Agency: Department of Natural Resources
Comment:

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

Time to complete: 21 days
Cost to complete: USD 3,000
Agency: AAA (Water and Sewage authority)
Comment:

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

Time to complete: 21 days
Cost to complete: no charge
Agency: PREPA (Electric Power authority)
Comment: The electric power authority (PREPA) provides the equipment, inspects the site, and makes the final installation. The procedure takes a day and can be done simultaneously with other procedures. There is no cost at the time of the connection. However, about USD 1,500 is charged with the first electricity bill.

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

Time to complete: 21 days
Cost to complete: no charge
Agency: PRTC (Puerto Rico Telephone Company)

Comment:

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

Some reform outcomes

Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003.

Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.

What does the Registering Property indicator measure?

Registering Property: transfer of property between 2 local companies

Rankings are based on 3 subindicators

Procedures to legally transfer title on immovable property (number)

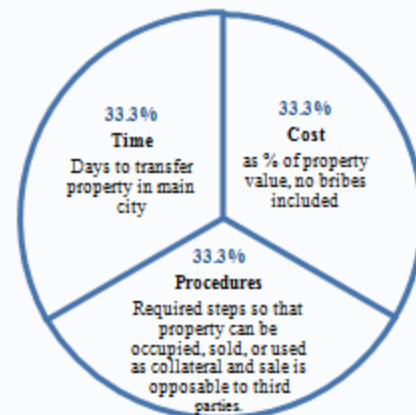
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior personal contact with officials

Cost required to complete each procedure (% of property value)

- Official costs only, no bribes
- No value added or capital gains taxes included



Case Study Assumptions

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

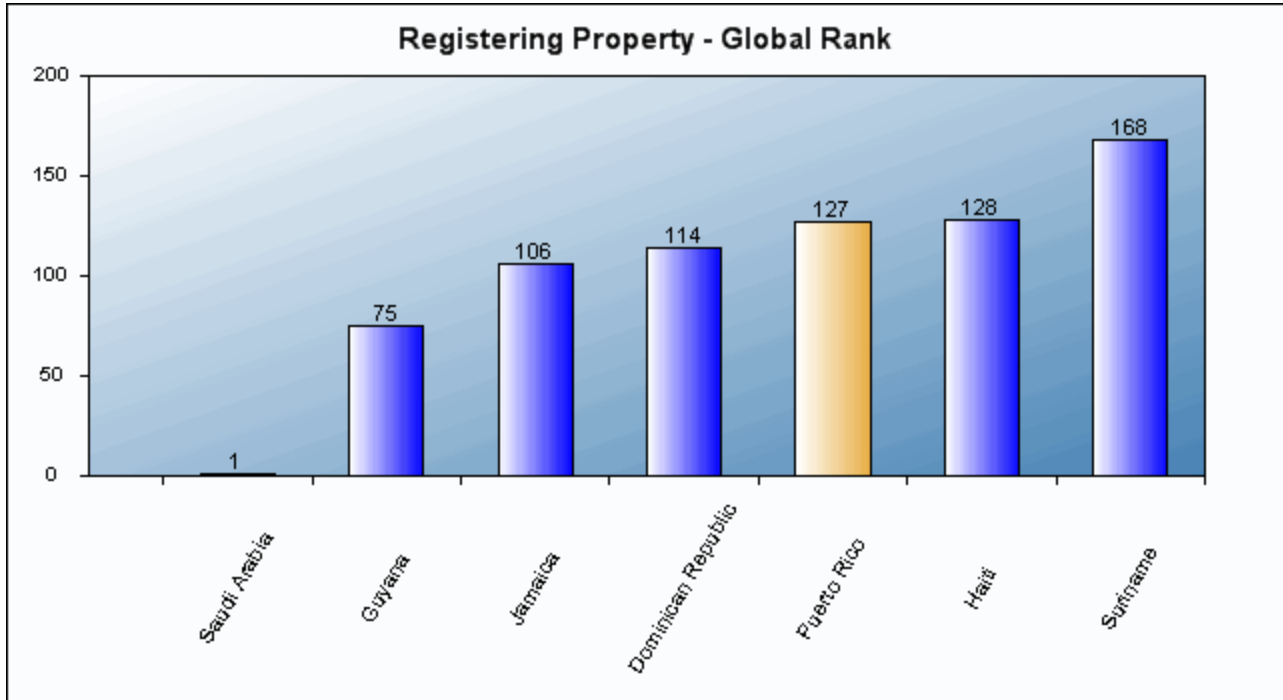
The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of a 557.4 square meters (6,000 square feet) land and 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

1. Benchmarking Registering Property Regulations:

Puerto Rico is ranked 127 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	0.9

<i>Comparator Economies</i>			
Dominican Republic	7	60	3.7
Guyana	6	34	4.5
Haiti	5	405	6.3
Jamaica	6	37	7.5
Suriname	6	197	13.8

* The following economies are also good practice economies for :

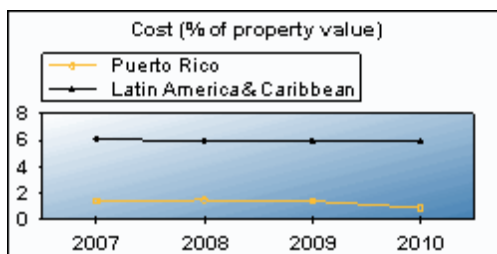
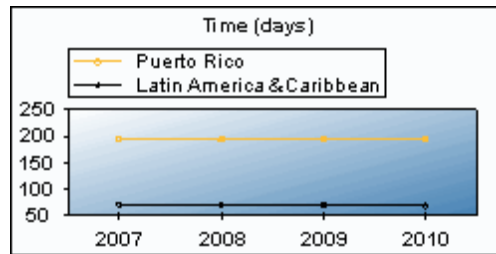
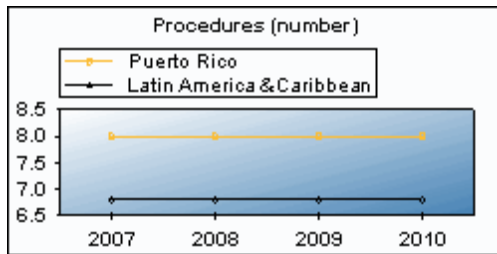
Procedures (number): United Arab Emirates

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

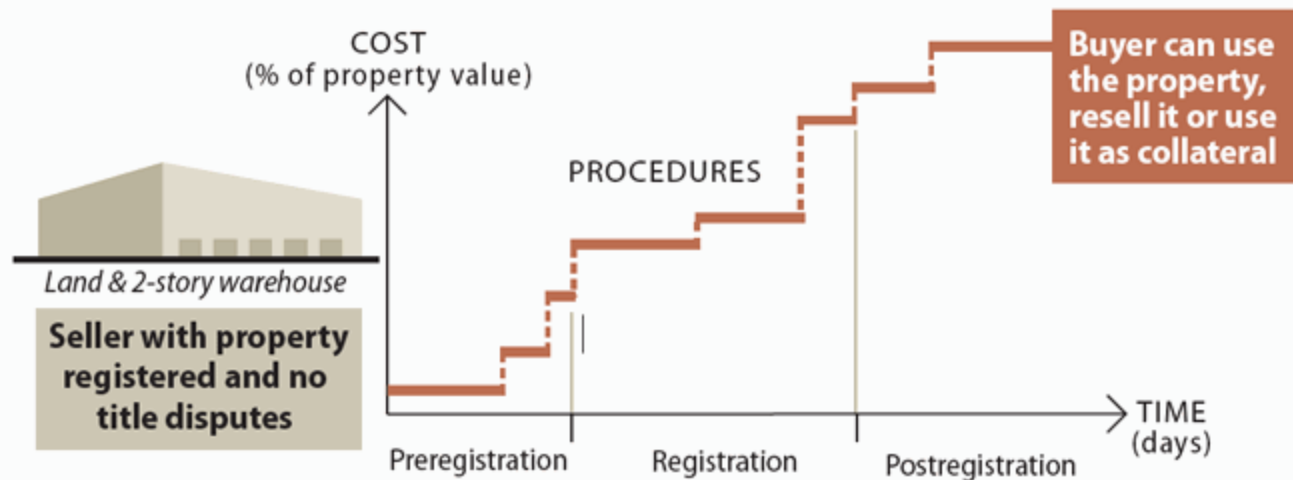
2. Historical data: Registering Property in Puerto Rico

Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	127	127
Procedures (number)	8	8	8	8
Time (days)	194	194	194	194
Cost (% of property value)	1.4	1.5	1.4	0.9

3. The following graphs illustrate the Registering Property sub indicators in Puerto Rico over the past 4 years:



What are the time, cost and number of procedures required to transfer a property between 2 local companies?



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

STANDARDIZED PROPERTY

Property Value: 790,954.68

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)	60
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) + between 0.5% and 1% of property value (notary fees)

5	Purchase Internal Revenue Stamps and Registry of Property filling vouchers	2 days		Stamps to be canceled on the original of the deed of purchase and sale: Internal Revenue Stamps = \$783; Legal Aid Stamps = \$80; and Notarial Aid Stamp = \$1. Stamps to be canceled on the certified copy of the deed of purchase and sale: Internal Revenue Stamps = \$391.50; Legla Aid Stamps = \$40; and Notarial Aid Stamp = \$1. Registry of Property presentation vouchers total \$3,088.50.
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.

Registering Property Details - Puerto Rico

Procedure	1	Obtain a property title report at the Property Registry
Time to complete:		3-5 days (simultaneous with procedure 2)
Cost to complete:		60
Agency:		Property Registry
Comment:		A Notary is an attorney 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 real property must be prepared by a Notary and executed by the parties before the Notary. In order to prepare the public deed, the Notary requires a title report which shows the status of the real property at the Registry of the Property, i.e., owner, mortgages, easements and other encumbrances. The title report will also specify whether documents have been recorded or are still pending recordation in the Registry of the Property.
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
Agency:		Municipal Revenues Collection Center (CRIM)
Comment:		Obtain a property tax certificate (Form AD-25) from the Municipal Revenues Collection Center (CRIM). This certificate will disclose property tax debts and the property tax liability of the property.
Procedure	3	Obtain Title Commitment for Title Insurance
Time to complete:		2 days
Cost to complete:		no cost
Comment:		Buyer obtains a title commitment for the issuance of a title insurance policy. Although this is not required by law, it is highly recommended. Title insurance policies insure that the sale of the property will be recorded Registry 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) + between 0.5% and 1% of property value (notary fees)
Comment:		The Notary must prepare the deed of purchase and sale to be executed by the parties in his presence. The Notary 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 the deed of purchase and sale is executed and that it was executed in the Notary's presence.

Notary fees are negotiated between the parties and the Notary subject to the following requirements of law:

- If the purchase price for the property is equal to or less than \$10,000, Notary fees are equal to \$150.

- If the purchase price for the property is greater than \$10,000 but not more than \$5,000,000, Notary fees cannot be less than 0.5% nor more than 1% of the purchase price for the property.

- If the purchase price for the property exceeds \$5,000,000, Notary fees are as set forth above up to \$5,000,000 and, thereafter, are subject to negotiation between the parties.

Other documents such as a limited liability company resolution approving the transaction can also be prepared by the Notary for an additional fee.

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

Time to complete: 2 days

Cost to complete: Stamps to be canceled on the original of the deed of purchase and sale: Internal Revenue Stamps = \$783; Legal Aid Stamps = \$80; and Notarial Aid Stamp = \$1. Stamps to be canceled on the certified copy of the deed of purchase and sale: Internal Revenue Stamps = \$391.50; Legal Aid Stamps = \$40; and Notarial Aid Stamp = \$1. Registry of Property presentation vouchers total \$3,088.50.

Agency: Department of Treasury and Registry of Property

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.

This cost is based on the purchase price of the property and is calculated as follows: Internal Revenue Stamps to be canceled on the original of the deed of purchase and sale (the original of the deed is kept by the Notary) are equal to (for amounts exceeding \$5,000): \$2 for the first \$1,000 and \$1 for every additional \$1,000 or fraction of a \$1,000 thereafter. The certified copy of the deed of purchase and sale which will be prepared and issued by the Notary in order to be filed in the Registry of the Property will cancel internal revenue stamps of \$1 for the first \$1,000 and \$0.50 for every additional \$1,000 or fraction of \$1,000 thereafter. Legal Aid Stamps to be canceled on the original are equal to (for amounts exceeding \$50,000): \$5 for each \$50,000 or fraction thereof. Legal Aid Stamps to be canceled on the certified copy of the deed are equal to \$2.50 for every \$50,000 or fraction thereof. The original and certified copy of the deed will each also cancel a Notarial aid stamp of \$1. Registry of Property presentation vouchers are required for the presentation of the certified copy of the deed of purchase and sale in the Registry of the Property and are calculated as follows: When the value of the property exceeds \$25,000, property vouchers are equal to \$50 for the first \$25,000 plus \$4 for each additional \$1,000 or fraction thereof plus one additional presentation voucher of \$10 and one additional presentation voucher of \$0.50.

Procedure 6 File and record the deed at the Registry of Property

Time to complete: 180 days

Cost to complete: 100

Agency: Registry of Property

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

Agency: Treasury Department

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

Agency: Municipal Revenues Collection Center (CRIM)

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.

Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the ‘information asymmetry’ in lending and enable lenders to view a borrower’s financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor’s rights has been associated with higher ratios of private sector credit to GDP.

Some reform outcomes

After Vietnam’s new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).

In 2008, when Zambia established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.

What do the Getting Credit indicators measure?

Strength of legal rights index (0–10)

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors’ rights through bankruptcy laws

Depth of credit information index (0–6)

- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

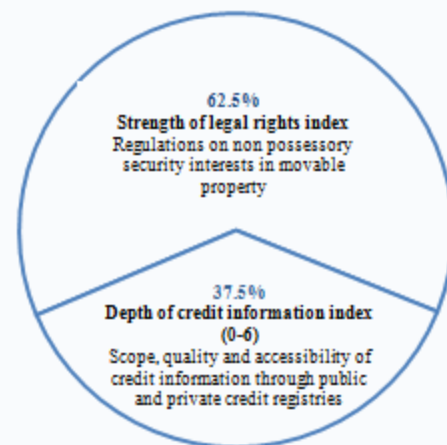
Public credit registry coverage (% of adults)

- Number of individuals and firms listed in public credit registry as percentage of a adult population

Private credit bureau coverage (% of adults)

- Number of individuals and firms listed in largest private credit bureau as percentage of a adult population

Getting Credit: collateral rules and credit information



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

Case Study Assumptions (applying to the Legal Rights Index only)

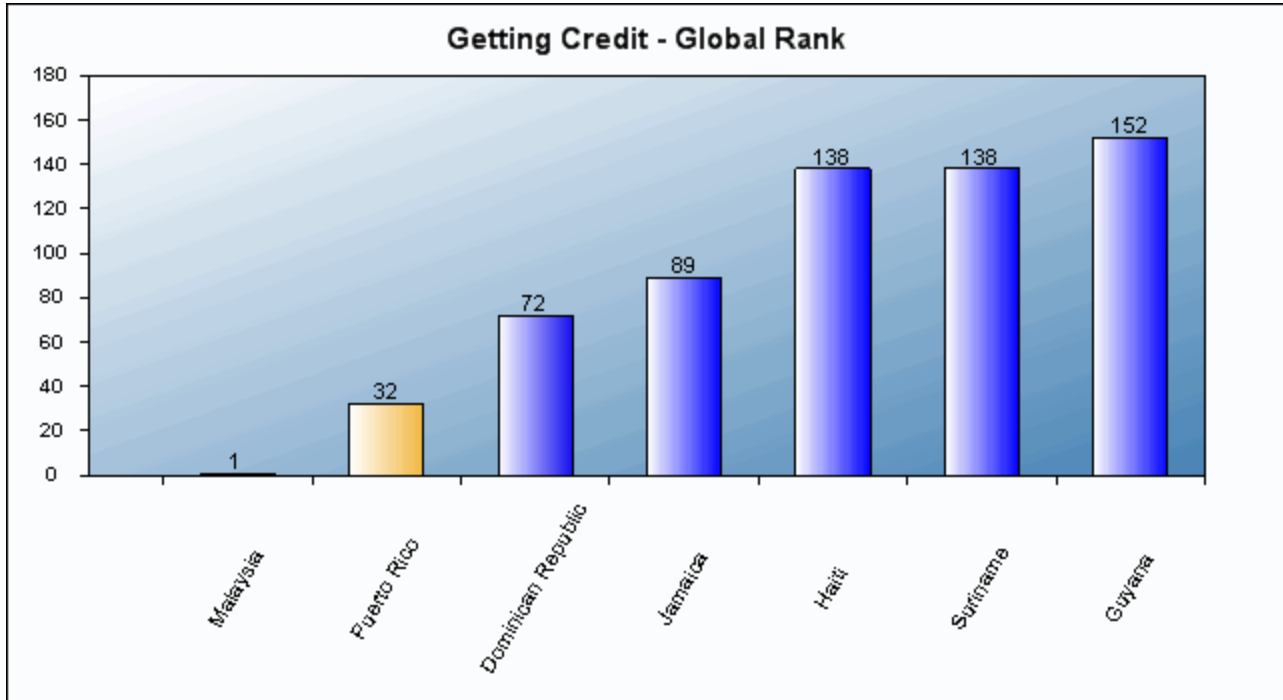
The Debtor

- 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 creditor and debtor are 100% domestically owned.

1. Benchmarking Getting Credit Regulations:

Puerto Rico is ranked 32 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			67.1	
Singapore*	10			
United Kingdom		6		

<i>Selected Economy</i>				
Puerto Rico	7	5	0.0	71.5

<i>Comparator Economies</i>				
Dominican Republic	3	6	28.5	47.3
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

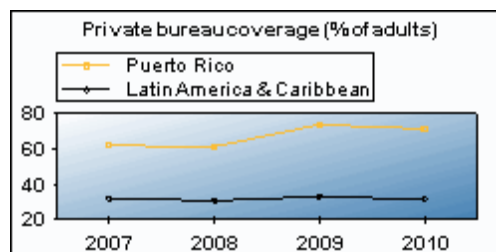
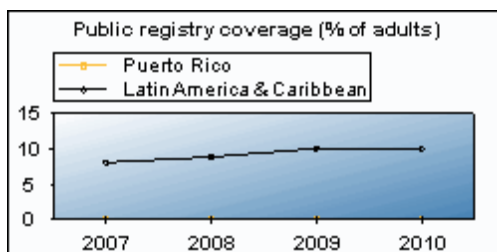
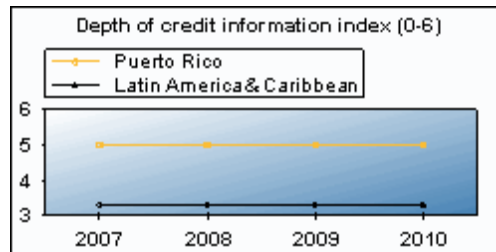
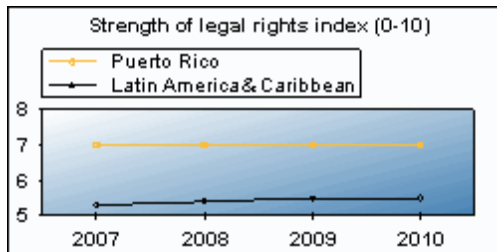
Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States

27 countries have the highest credit information index.

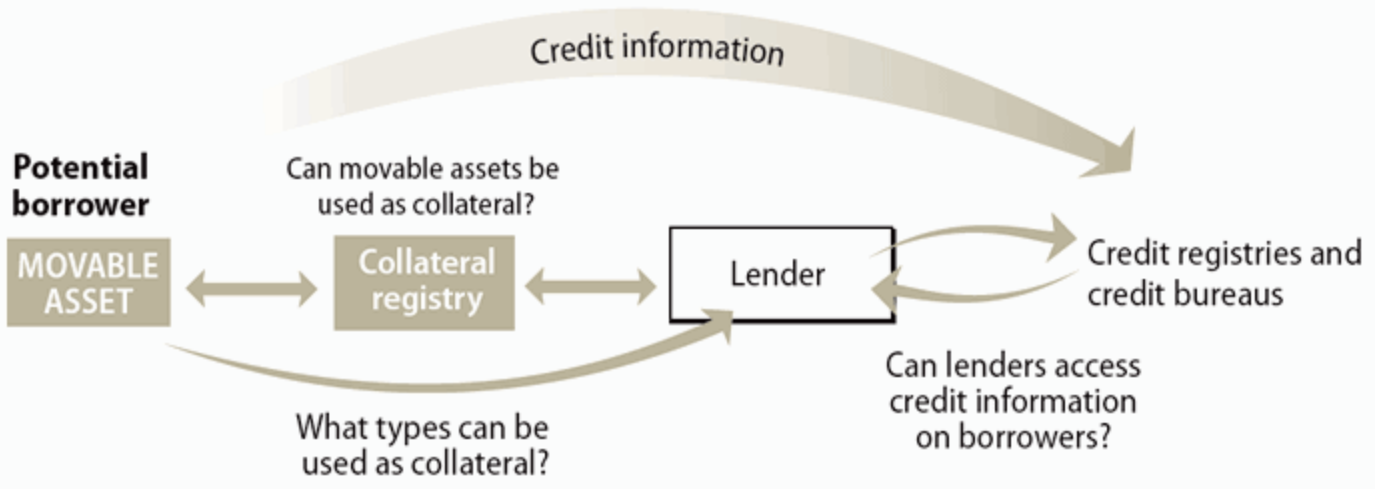
2. Historical data: Getting Credit in Puerto Rico

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	30	32
Strength of legal rights index (0-10)	7	7	7	7
Depth of credit information index (0-6)	5	5	5	5
Private bureau coverage (% of adults)	62.0	61.4	73.8	71.5
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0

3. The following graphs illustrate the Getting Credit sub indicators in Puerto Rico over the past 4 years:



**Do lenders have credit information on entrepreneurs seeking credit?
Is the law favorable to borrowers and lenders using movable assets as collateral?**



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 (2010)			Indicator
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	71.5	0.0	
Number of individuals	2,400,000		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 movable assets, without requiring a specific description of collateral?	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 collateral?	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

Stronger investor protections matter for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. This is all the more crucial in times of financial crisis when entrepreneurs must navigate through defiant environments to finance their activities. Using 3 indices of investor protection, *Doing Business* measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gains. Since 2005, 51 economies have strengthened investor protections as measured by *Doing Business*.

Some reform outcomes

In Indonesia, an economy that consistently improved its laws regulating investor protections, the number of firms listed on the Indonesia Stock Exchange increased from 331 to 396 between 2004 and 2009. Meanwhile, market capitalization grew from 680 trillion rupiah (\$75 billion) to 1,077 trillion rupiah (\$119 billion).

After Thailand amended its laws in 2006 and 2008, more than 85 transactions that failed to comply with the disclosure standards were suspended. Thirteen were deemed prejudicial and were therefore canceled, thus preventing damage to the companies involved and preserving their value. Companies were not deterred either, as more than 30 new companies joined the stock exchange since 2005 bringing the number of listed companies to 523.

What do the Protecting Investors indicators measure?

Extent of disclosure index (0–10)

- Who can approve related-party transactions
- Requirements for external and internal disclosure in case of related-party transactions

Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

Ease of shareholder suits index (0–10)

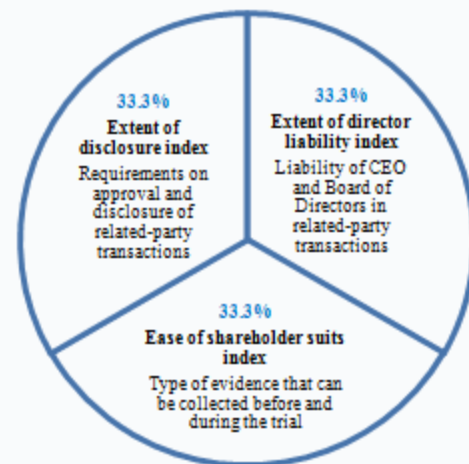
- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

Protecting Investors: minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators



Case Study Assumptions

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders),
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

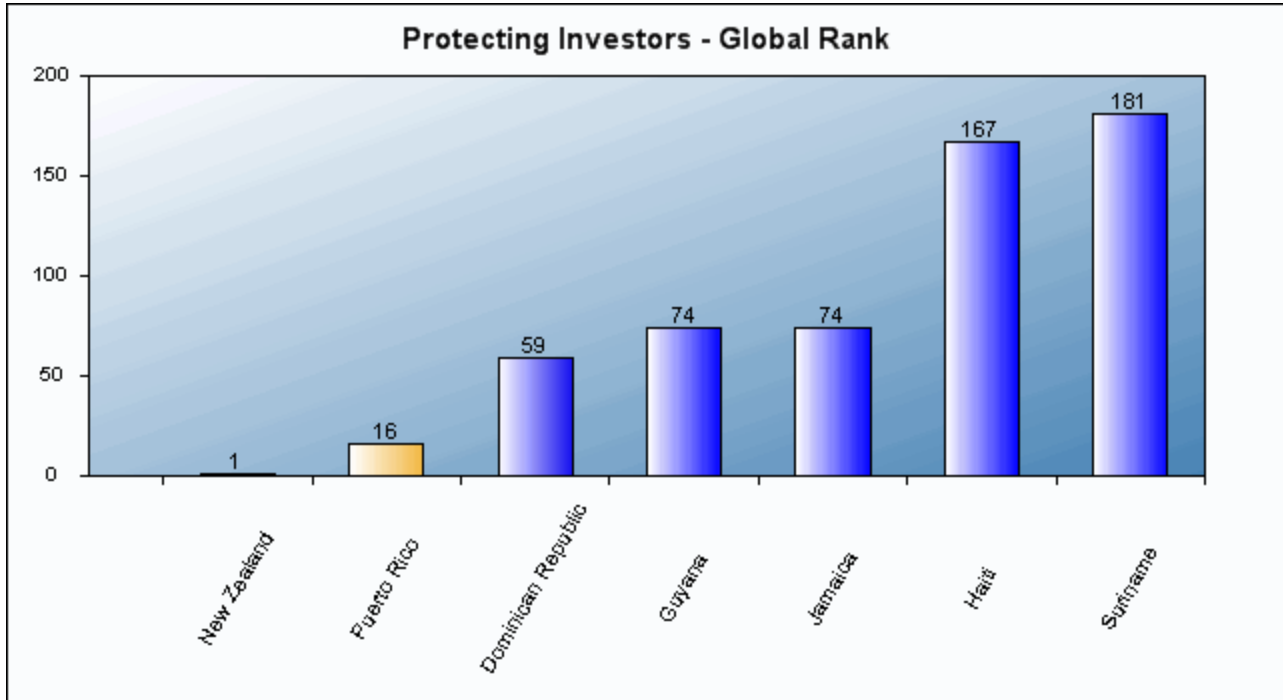
The transaction

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but 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.

1. 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

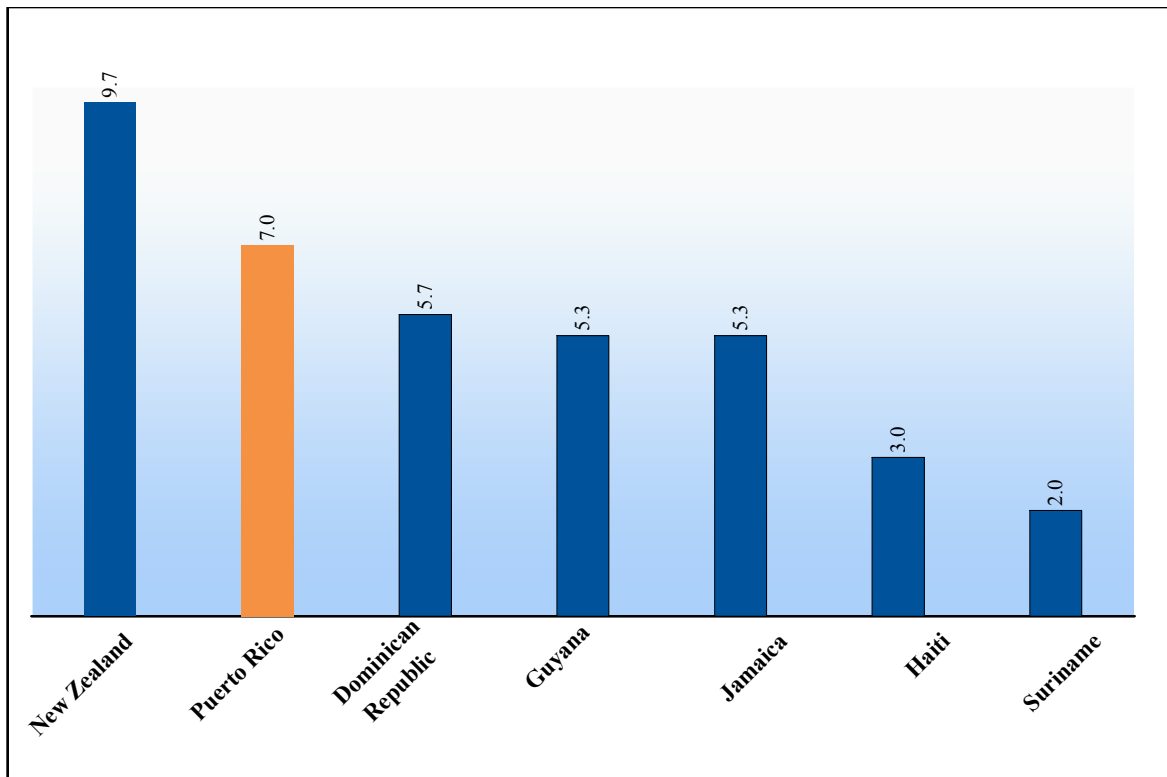
<i>Selected Economy</i>	
Puerto Rico	7.0

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

2. Historical data: Protecting Investors in Puerto Rico

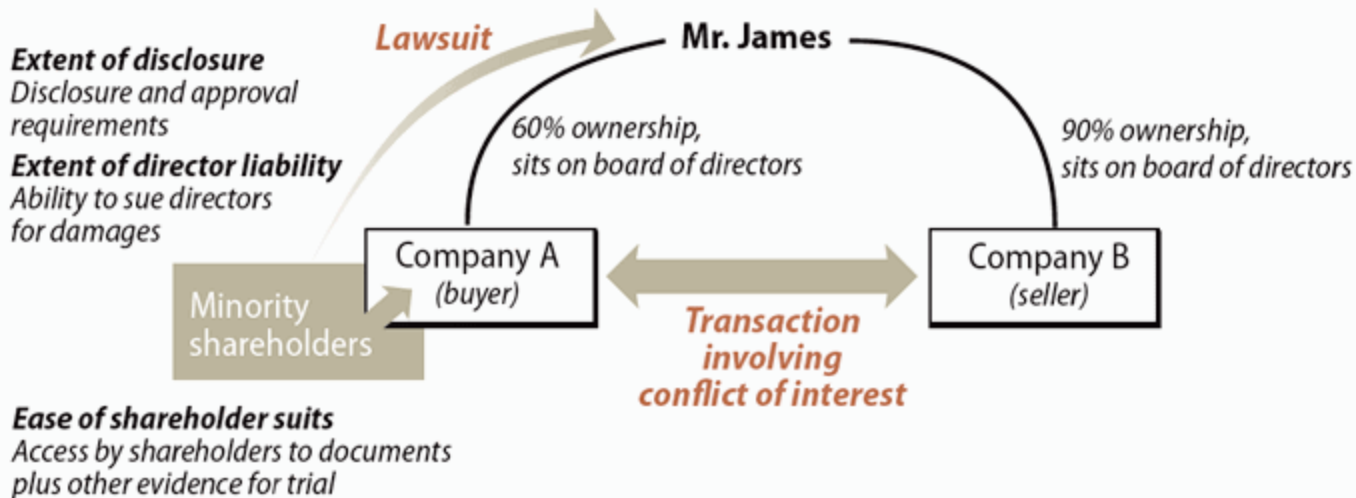
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	16	16
Strength of investor protection index (0-10)	7.0	7.0	7.0	7.0

3. 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.

How well are minority shareholders protected against self-dealing in related-party transactions?



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 (2010)	Indicator
Extent of disclosure index (0-10)	7
What corporate body provides legally sufficient approval for the transaction?	1
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	2
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	2
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	2
Whether an external body must review the terms of the transaction before it takes place?	0
Extent of director liability index (0-10)	6
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	2
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	1

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	1
Whether fines and imprisonment can be applied against Mr. James?	0
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
Ease of shareholder suits index (0-10)	8
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	4
Whether the plaintiff can directly question the defendant and witnesses during trial?	1
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	1
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	0
Whether the level of proof required for civil suits is lower than that of criminal cases?	1
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	1
Strength of investor protection index (0-10)	7.0

Taxes are essential to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity. More than 60% of economies have reformed in the last 6 years and are starting to see concrete results.

Some reform outcomes

Colombia introduced a new electronic system for social security and labor taxes in 2006 and by 2008 the social security contributions collected from small and medium-size companies rose by 42%, to 550 billion pesos.

Mauritius reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry-specific allowances in 2006 and saw their corporate income tax revenue grow by 27% in the following year, and in 2008/09 it increased by 65%.

What do the Paying taxes indicators measure?

Tax payments for a manufacturing company in 2009
(number per year adjusted for electronic or joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

Time required to comply with 3 major taxes (hours per year)

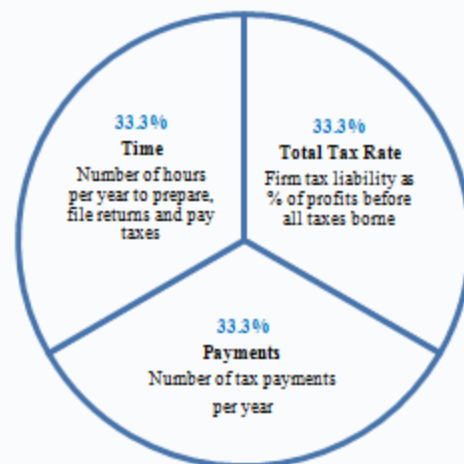
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

Total tax rate (% of profit)

- Profit or corporate income tax
- Mandatory social contributions and labor taxes paid by the employer
- Property and property transfer taxes
- Dividend, capital gains and financial transactions taxes
- Waste collection, vehicle, road and other taxes

Paying Taxes: tax compliance for a local manufacturing company

Rankings are based on 3 subindicators



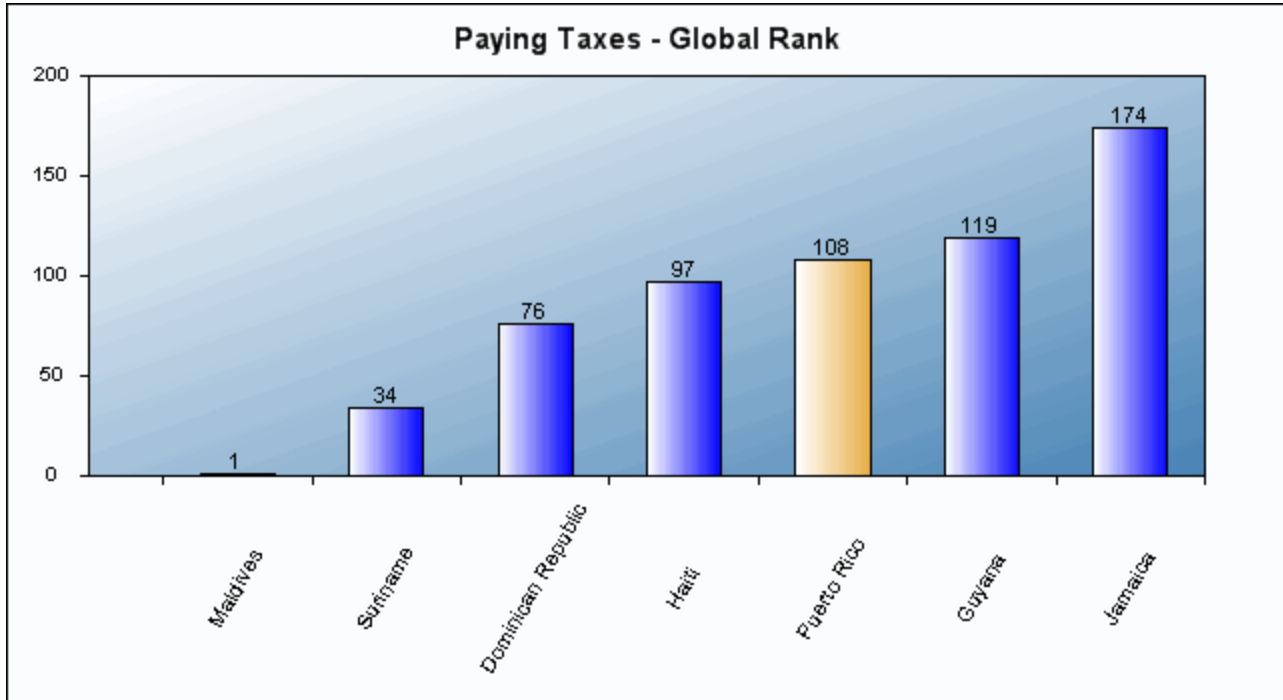
Case Study Assumptions

- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its financial statements, as well as 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
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

1. Benchmarking Paying Taxes Regulations:

Puerto Rico is ranked 108 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*	3	0	
Timor-Leste			0.2

<i>Selected Economy</i>			
Puerto Rico	16	218	67.7

<i>Comparator Economies</i>			
Dominican Republic	9	324	40.7
Guyana	34	288	38.9
Haiti	42	160	40.1
Jamaica	72	414	50.1
Suriname	17	199	27.9

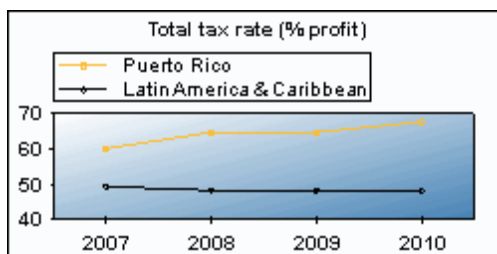
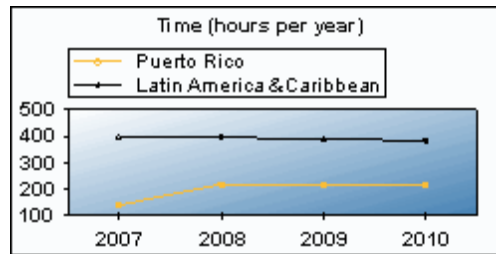
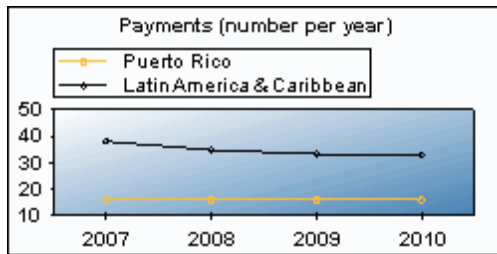
* The following economies are also good practice economies for :

Payments (number per year): Qatar

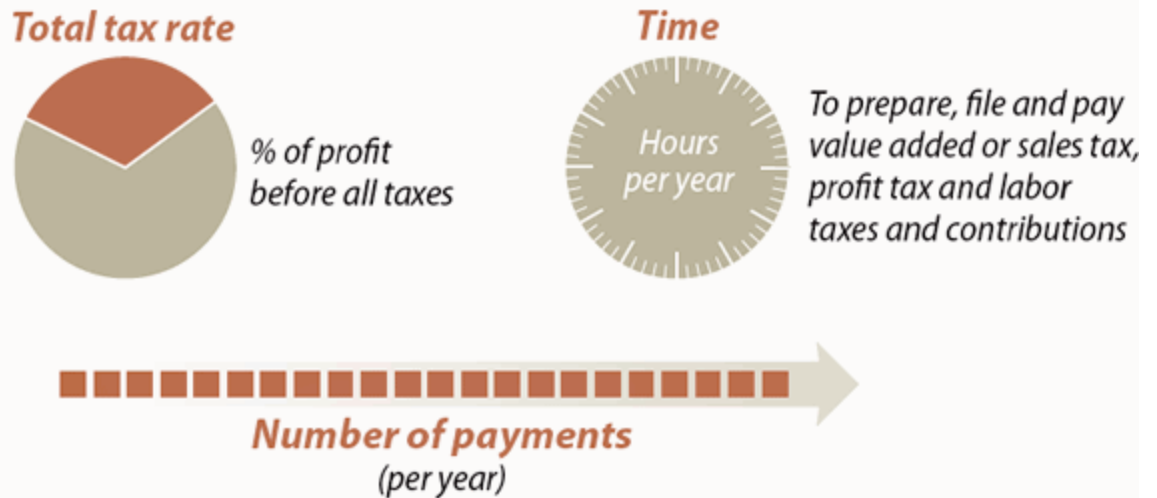
2. Historical data: Paying Taxes in Puerto Rico

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	104	108
Total tax rate (% profit)	60.1	64.7	64.7	67.7
Payments (number per year)	16	16	16	16
Time (hours per year)	140	218	218	218

3. The following graphs illustrate the Paying Taxes sub indicators in Puerto Rico over the past 4 years:



What are the time, total tax rate and number of payments necessary for a local medium-sized company to pay all taxes?



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	7.0%	sales		
Capital Gains tax				15.0%	capital gains	0.00	
Accident insurance	1			varies	gross salaries	2.30	
Unemployment insurance	4			6.5%	gross salaries	3.40	
Real property tax	2			8.5%	replacement value of property	7.80	
Social security contributions	1	online filing	60	7.7%	gross salaries	8.60	
Municipal license tax	1			0.5%	sales	8.90	
Property tax	1			6.5%	book value of movable property	10.40	
Corporate income tax	5		80	20% + (5% to 19% surtax)	taxable profit	26.30	

Totals

16

218

67.7

Making trade between countries easier is increasingly important for business in today's globalized world. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Trade facilitation tools such as electronic data interchange systems, risk-based inspections, and single windows help improve an economy's trading environment and boost firms' international competitiveness. *Doing Business* trade indicators take into account documents, cost and time associated with every procedure for trading a standard shipment of goods by ocean transport. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading costs than from a similar decrease of the tariffs applied to their products in global markets.

Some reform outcomes

In Georgia, reducing customs clearance time by a day has led to operational savings of an estimated \$288 per truck, or an annual \$133 million for the country's whole trading community given the growing amount of cross-border trade in recent years.

In Korea, predictable cargo processing times and rapid turnover by ports and warehouses provide a benefit to the Korean economy of some \$2 billion annually.

What do the Trading Across Borders indicators measure?

Trading Across Borders: exporting and importing by ocean transport

Rankings are based on 3 subindicators

Documents required to export and import (number)

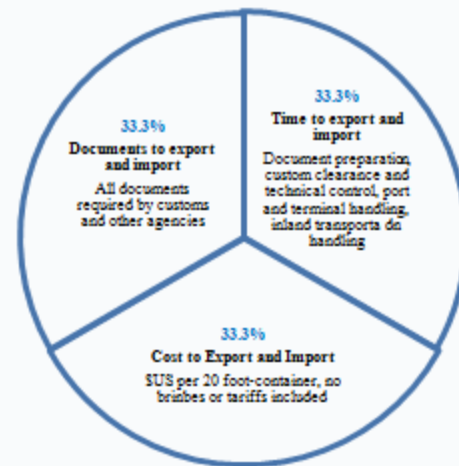
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes



Case Study Assumptions

The Business

- Has at least 60 employees and is located in the economy's largest business city
- Is a private, limited liability company, which exports more than 10% of its sales. It is fully domestically owned and does not operate in an export processing zone or an industrial estate with special export or import privileges

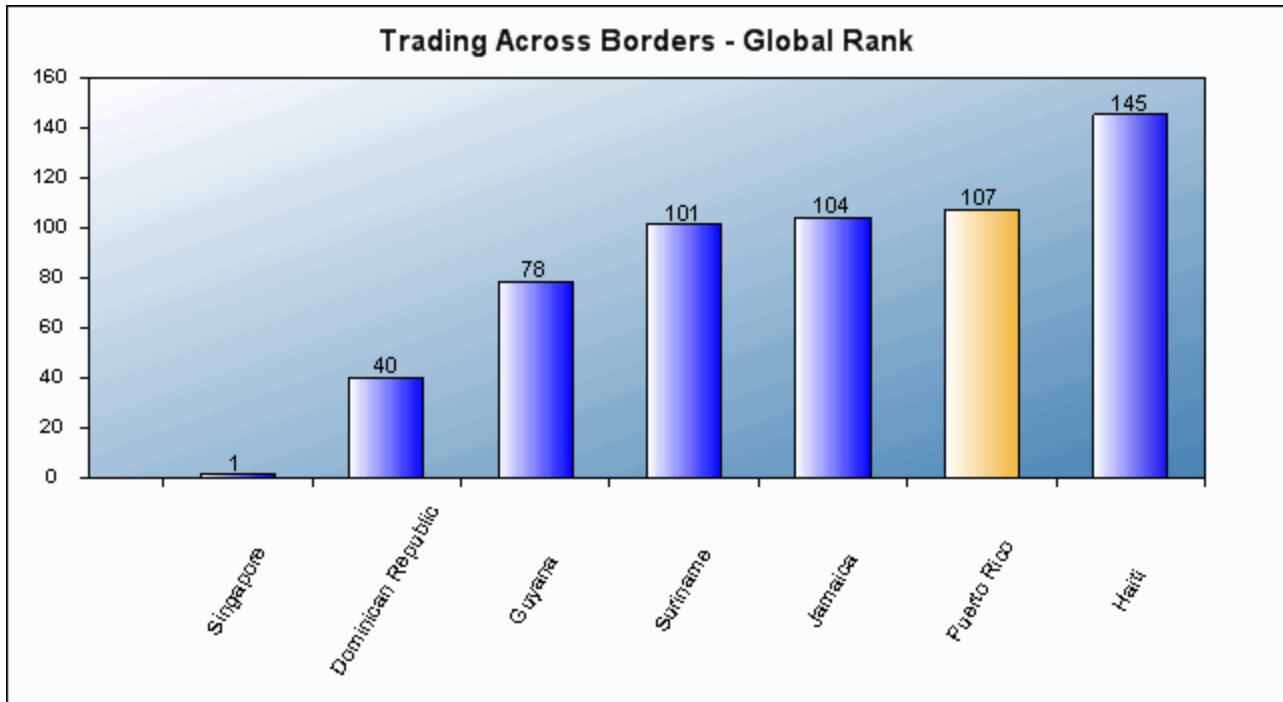
The traded product

- Is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000
- Is not hazardous or include military items; it does not require special phytosanitary or environmental safety standards, refrigeration or any other special environment
- Is one of the economy's leading export or import products

1. Benchmarking Trading Across Borders Regulations:

Puerto Rico is ranked 107 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					4	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	19	730	8	22	745
Haiti	8	35	1005	10	33	1545
Jamaica	6	21	1750	6	22	1420
Suriname	8	25	995	7	25	945

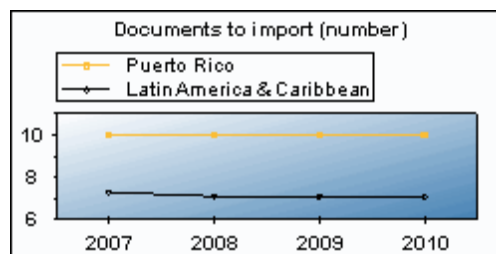
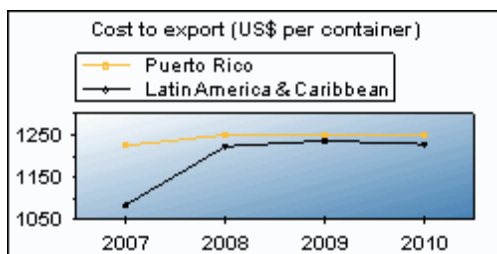
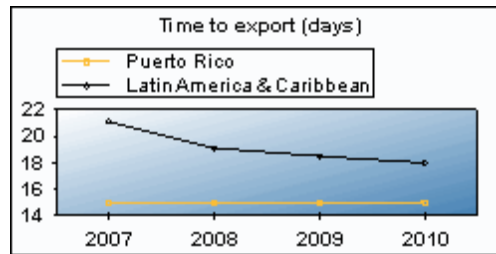
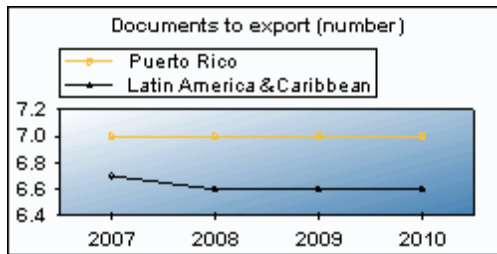
* The following economies are also good practice economies for :

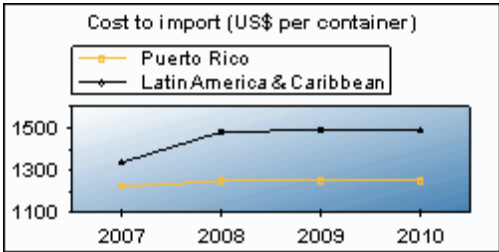
Time to export (days): Estonia

2. Historical data: Trading Across Borders in Puerto Rico

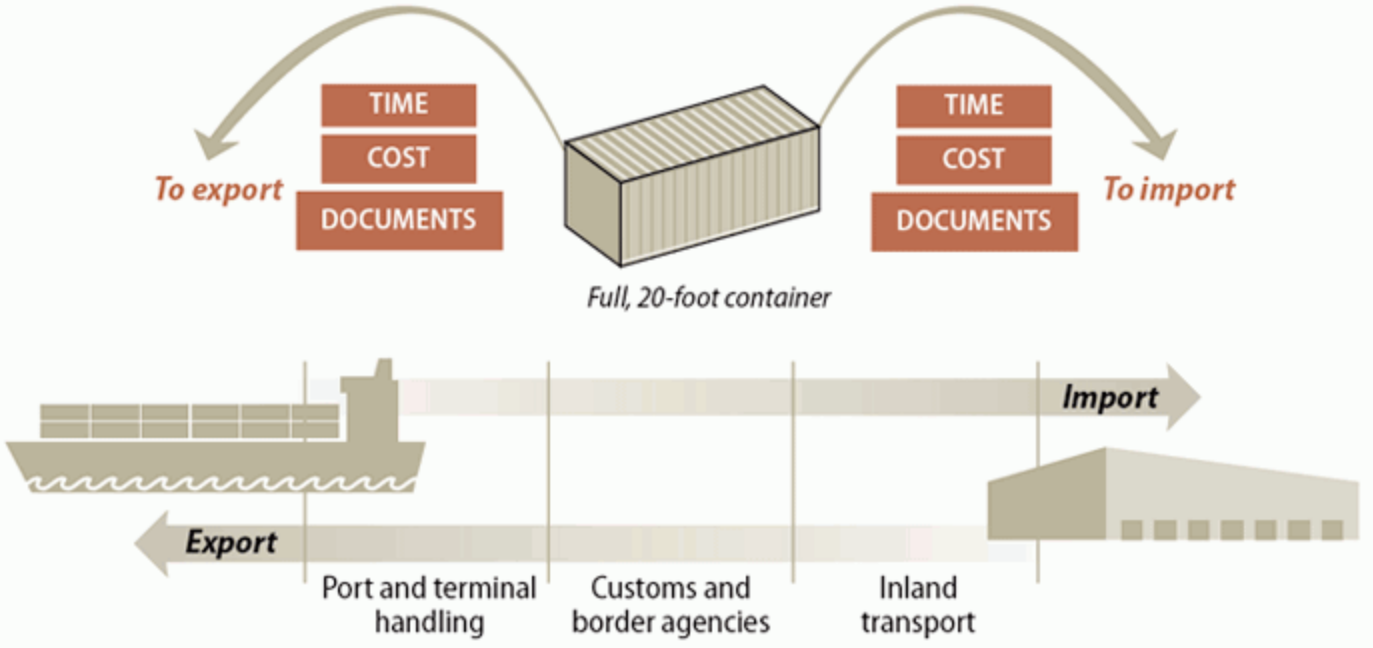
Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	106	107
Cost to export (US\$ per container)	1225	1250	1250	1250
Cost to import (US\$ per container)	1225	1250	1250	1250
Documents to export (number)	7	7	7	7
Documents to import (number)	10	10	10	10
Time to export (days)	15	15	15	15
Time to import (days)	16	16	16	16

3. The following graphs illustrate the Trading Across Borders sub indicators in Puerto Rico over the past 4 years:





How much time, how many documents and what cost to export and import across borders by ocean transport?



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

Nature of Export Procedures (2010)	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 (2010)	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

Documents for Export and Import

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

Well functioning courts help businesses expand their network and markets. Where contract enforcement is efficient, firms have greater access to credit and are more likely to engage with new borrowers or customers. *Doing Business* measures the efficiency of the judicial system in resolving a commercial sale dispute before local courts. Following the step-by-step evolution of a standardized case study, data relating to the time, cost and procedural complexity of resolving a commercial lawsuit are 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).

Some reform outcomes

In Rwanda the implementation of specialized commercial courts in May 2008 resulted in a significant decrease of the case backlog, and contributed to reduce the time to resolve a commercial dispute by nearly 3 months.

In Austria a "data highway" for the courts that allows attachments to be sent electronically has produced savings of €4.4 million in postage alone.

What do the Enforcing Contracts indicators measure?

Enforcing Contracts: resolving a commercial dispute through the courts

Rankings are based on 3 subindicators

Procedures to enforce a contract (number)

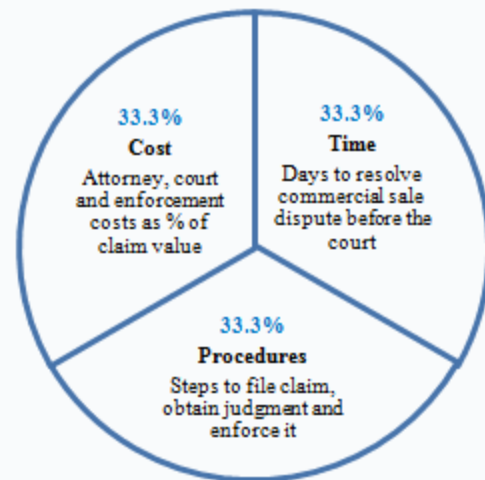
- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

Time required to complete procedures (calendar days)

- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

Cost required to complete procedures (% of claim)

- No bribes
- Average attorney fees
- Court costs, including expert fees
- Enforcement costs



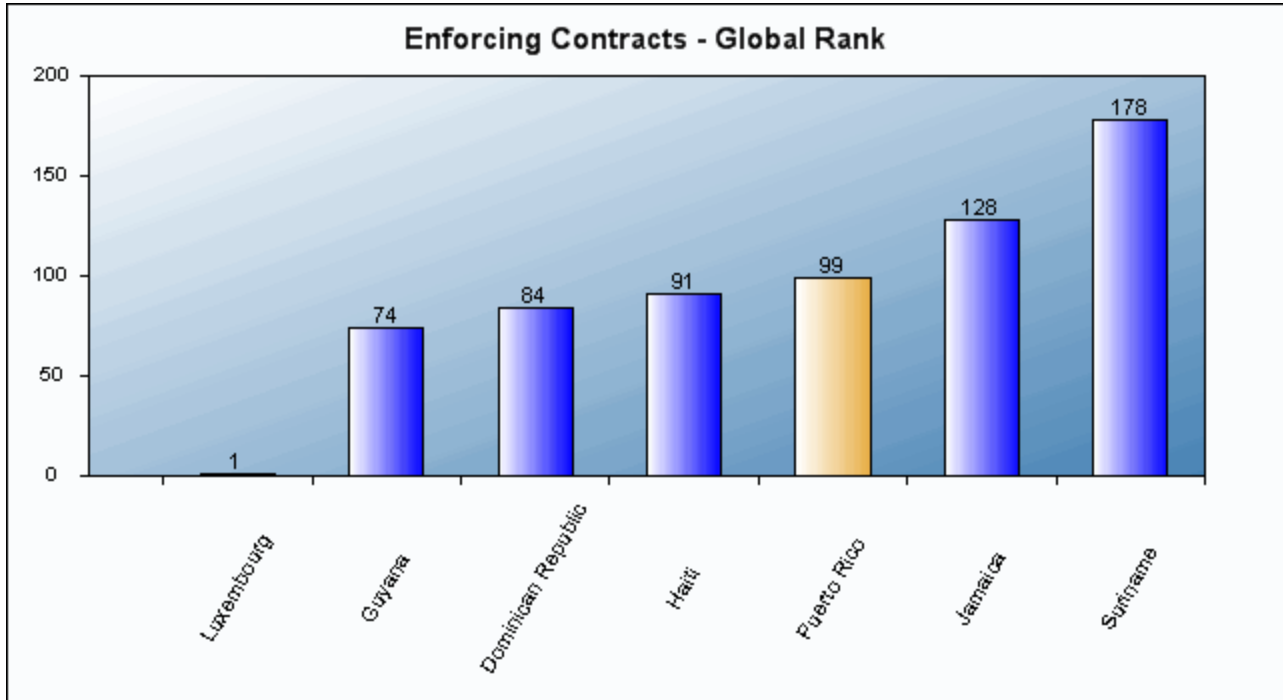
Case Study Assumptions

- Seller and Buyer are domestic companies
- Buyer orders custom-made goods, then does not pay
- Seller sues Buyer before competent court
- Value of claim is 200% of GNI per capita
- Seller requests pre-trial attachment to secure claim
- Dispute on quality of the goods requires expert opinion
- Judge decides in favor of Seller, no appeal
- Seller enforces judgment through a public sale of Buyer's movable assets.

1. Benchmarking Enforcing Contracts Regulations:

Puerto Rico is ranked 99 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	

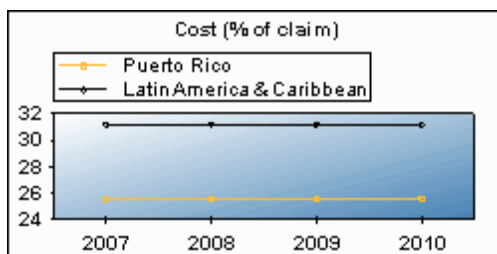
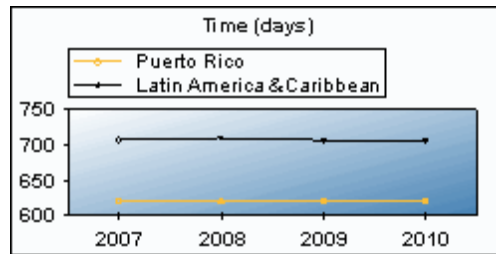
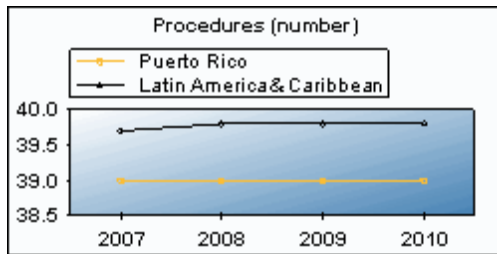
<i>Selected Economy</i>			
Puerto Rico	39	620	25.6

<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

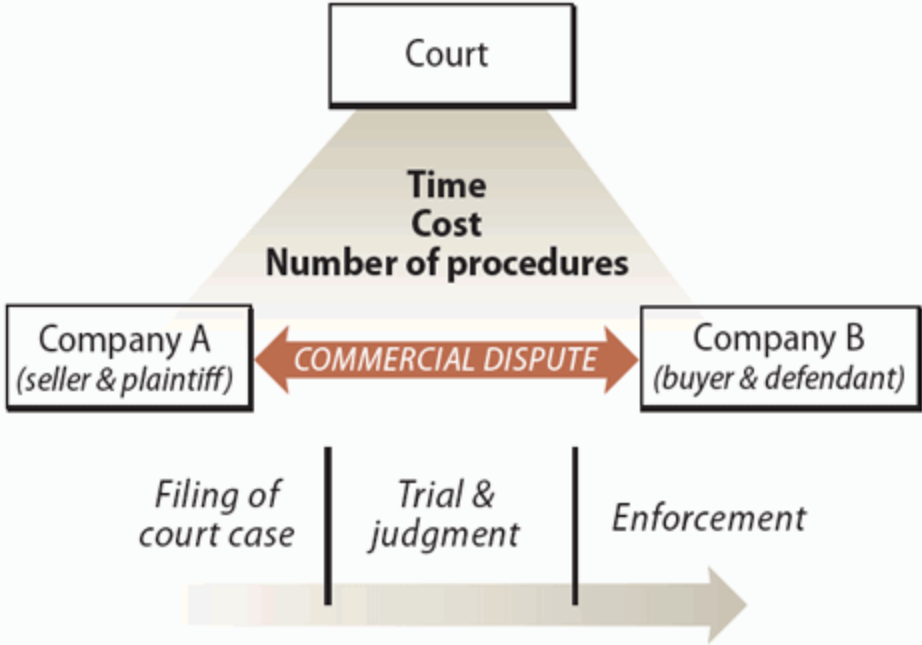
2. Historical data: Enforcing Contracts in Puerto Rico

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	100	99
Procedures (number)	39	39	39	39
Time (days)	620	620	620	620
Cost (% of claim)	25.6	25.6	25.6	25.6

3. The following graphs illustrate the Enforcing Contracts sub indicators in Puerto Rico over the past 4 years:



What are the time, cost and number of procedures to resolve a commercial dispute through the courts?



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

Nature of Procedure (2010)	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)*	25.60
Attorney cost (% of claim)	20.0
Court cost (% of claim)	4.0
Enforcement Cost (% of claim)	1.6

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

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

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in businesses' speedy return to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses, and thereby improve growth and sustainability in the economy overall.

Some reform outcomes

A study of the 2005 bankruptcy reform in Brazil found that it had led to an average reduction of 22% in the cost of credit for Brazilian companies, a 39% increase in overall credit and a 79% increase in long-term credit in the economy. The purpose of the reform was to improve creditor protection in insolvency proceedings.

Following the introduction of debtor-in-possession reorganizations in Korea in 2006, the number of reorganization filings increased from 76 in 2006 to 670 in 2009.

What does the Closing a Business indicator measure?

Closing a Business: insolvency proceedings against local company

Time required to recover debt (years)

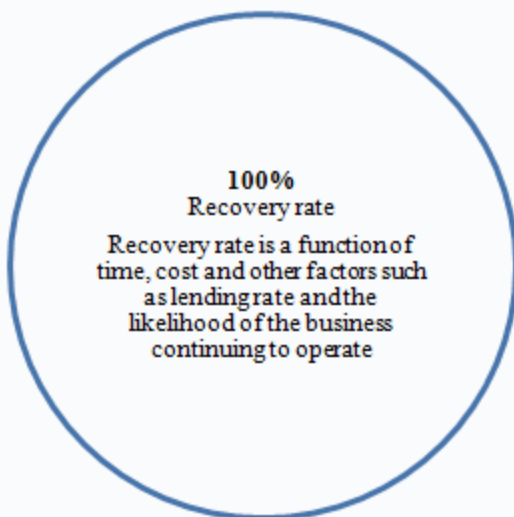
- Measured in calendar years
- Appeals and requests for extension are included

Cost required to recover debt (% of debtor's estate value)

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- All other fees and costs

Recovery rate for creditors (cents on the dollar)

- Measures the cents on the dollar recovered by creditors
- Present value of debt recovered
- Costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Outcome for the business (survival or not) affects the maximum value that can be recovered



Case Study Assumptions

The Company

- is domestically owned
- is a limited liability company operating a hotel
- operates in the economy's largest business city
- has 201 employees, 1 secured creditor and 50 unsecured creditors
- has a higher value as a going concern and a lower value in a piecemeal sale of assets

1. Benchmarking Closing Business Regulations:

Puerto Rico is ranked 25 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	92.7		
Singapore*			1

<i>Selected Economy</i>			
Puerto Rico	64.7	3.8	8

<i>Comparator Economies</i>			
Dominican Republic	9.1	3.5	38
Guyana	17.6	3.0	29
Haiti	6.7	5.7	30
Jamaica	65.1	1.1	18
Suriname	8.7	5.0	30

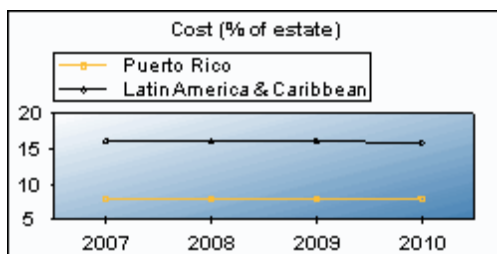
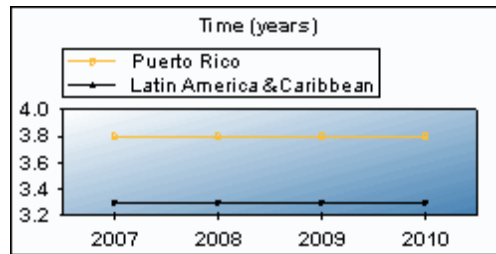
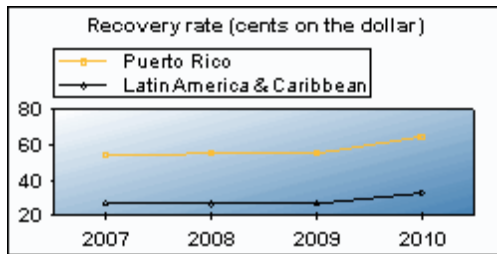
* The following economies are also good practice economies for :

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

2. Historical data: Closing Business in Puerto Rico

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	30	25
Time (years)	3.8	3.8	3.8	3.8
Cost (% of estate)	8	8	8	8
Recovery rate (cents on the dollar)	54.1	55.2	55.2	64.7

3. The following graphs illustrate the Closing Business sub indicators in Puerto Rico over the past 4 years:



Since 2004 Doing Business has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening access to credit and enforcing contracts by measuring their impact on 10 indicator sets . * Nearly 1,000 reforms have had an impact on these indicators. *Doing Business 2011*, covering June 2009 to June 2010, reports that 117 economies implemented 216 reforms to make it easier to start a business. 64% of economies measured by Doing Business have reformed this year, focusing on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

The top 10 most-improved in Doing Business 2011

Economy	Indicator									
	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Employing Workers
Kazakhstan	✓	✓				✓	✓			
Rwanda		✓		✓			✓			
Peru	✓	✓	✓				✓			
Vietnam	✓	✓		✓						
Cape Verde	✓		✓				✓			
Tajikistan	✓				✓		✓			
Zambia	✓						✓	✓		
Hungary		✓	✓				✓			✓
Grenada	✓		✓				✓			
Brunei Darussalam	✓						✓	✓		

 Positive Change
 Negative Change

* For *Doing Business 2011* the Employing Workers indicator is not included in the aggregate ease of doing business ranking.

Summary of changes to business regulation in top 10 most improved economies in *Doing Business 2011* and selected comparator economies.

Brunei Darussalam	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
Cape Verde	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
Dominican Republic	The Dominican Republic made it more difficult to start a business by setting a minimum capital requirement of 100,000 Dominican pesos (\$2,855) for its new type of company, sociedad de responsabilidad limitada (limited liability company).
Grenada	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
Guyana	Guyana eased business start-up by digitizing company records, which speeded up the process of company name search and reservation. Guyana enhanced access to credit by establishing a regulatory framework that allows the licensing of private credit bureaus and gives borrowers the right to inspect their data. Guyana improved its risk profiling system for customs inspection, reducing physical inspections of shipments and the time to trade.
Haiti	Haiti eased business start-up by eliminating the review by the president's or the prime minister's office of the incorporation act submitted for publication.
Hungary	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
Jamaica	Jamaica eased the transfer of property by lowering transfer taxes and fees, offering expedited registration procedures and making information from the company registrar available online.
Kazakhstan	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
Peru	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
Puerto Rico	Puerto Rico made paying taxes more costly for business by introducing a special surtax of 5% on the tax liability in addition to the normal corporate income tax.
Rwanda	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.

Tajikistan

Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority. Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors. Tajikistan lowered its corporate income tax rate.

Vietnam

Vietnam eased company start-up by creating a one-stop shop that combines the processes for obtaining a business license and tax license and by eliminating the need for a seal for company licensing. Vietnam made dealing with construction permits easier by reducing the cost to register newly completed buildings by 50% and transferring the authority to register buildings from local authorities to the Department of National Resources and Environment. Vietnam improved its credit information system by allowing borrowers to examine their own credit report and correct errors.

Zambia

Zambia eased business start-up by eliminating the minimum capital requirement. Zambia eased trade by implementing a one-stop border post with Zimbabwe, launching web-based submission of customs declarations and introducing scanning machines at border posts. Zambia improved contract enforcement by introducing an electronic case management system in the courts that provides electronic referencing of cases, a database of laws, real-time court reporting and public access to court records.



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