

Section 936

Under section 936 of the U.S. Internal Revenue Service Code, profits from subsidiaries of offshore companies can benefit from income tax exemption. Federal income tax exemption on profits can be obtained by U.S. subsidiaries producing in Puerto Rico, subject to the requirement that at least 80 per cent of their profits were generated from local production. This federal tax exemption is further enhanced with local income tax exemptions and government subsidies directed to training programs, physical facilities and transportation costs.

The Pharmaceutical Industry

The pharmaceutical industry is well represented by subsidiaries of most U.S. and multinational companies and manufactures a great variety of items ranging from biological products (i.e., bacterial vaccines and analogous products), botanical and medicinal products, which include drugs and botanicals, to pharmaceutical products. The latter include medicaments for veterinary use.

The Garment Industry

One of the most outstanding industries in Puerto Rico is the needle industry. This "native" industry specializes in the manufacture of textile products and their derivatives and employs a force of 30 000 trained workers. Being an industry that actively competes in foreign markets, the garment industry enjoys the benefits of the 1987 tax incentive laws.

The Electronics Industry

Among the most important products of this industrial sector are electrical and electronic components. An important portion of this industry is related to the manufacture of computerized electronic equipment and its applications in the manufacture of home appliances and computers.

The Furniture Industry

The development of the growing furniture industry in Puerto Rico began in 1958 with sales of \$12 194 000. Currently, the industry includes 120 companies. Membership in the Association of Furniture Manufacturers exceeds 600 specialized companies.