



October 31, 2012

Tax Alert 2012-5

This tax alert will cover various topics, which are of special interest and require immediate action.

Christmas Bonus

Under Act No. 148 of June 30, 1968, as amended (Act No. 148), every employer who employs more than one employee is required to pay the bonus to all employees that worked a minimum of 700 hours in the 12-month period commenced on October 1 and ending on September 30. The bonus must be paid between December 1 and December 15 unless the employee and its employer agree on a different date.

For those employers with 15 employees or less, the bonus will be 3% of the employee's salary up to \$10,000. For those employers with more than 15 employees, the bonus will be 6% of the employees' salary up to \$10,000. The total bonus paid cannot exceed 15% of the employer's net income earned in the period mentioned above.

Those employers experiencing financial difficulties which may prevent them from paying the bonus may request a partial or complete exemption from the bonus payment. Such request must be filed on or before November 30 and must be accompanied by a balance sheet and an income statement with the results of the employer's operations for the 12-month period commenced on October 1 and ending on September 30. These reports must have been reviewed by a Certified Public Accountant duly licensed in the Commonwealth of Puerto Rico.

State Insurance Fund Amnesty Reminder

On our previous tax alert (Tax Alert 2012-4) we discussed the Employer Incentives Plan (the "Plan") enacted by the Puerto Rico State Insurance Fund (PRSIF). Please keep in mind that the Plan is effective until December 6, 2012. We strongly urge you to contact the PRSIF to verify if you have any pending deficiency. Feel free to contact us if you need assistance with this matter. We will gladly assist you.

Duty to Prepare the Informative Statements for Business Payments made

Throughout the year, we have received several consultations from our clients regarding their obligation to prepare the informative statements to report business payments made. In general, many of the payments made during the normal course of business exceeding \$500 must be informed to the Puerto Rico Treasury Department (PRTD). Some of these reportable payments are those made for services rendered by individuals and business entities, payments for judicial and extrajudicial indemnification, dividend payments, partnership distributions, interest payments, dividend from industrial development income and pension plan distribution, rents, salaries or wages not otherwise reported, premiums, annuities, compensations, remuneration, or other fixed or determinable gains, profits and income.

Most of the payments made are reported to the PRTD and informed to the payee by using one of two forms. Form 480.6A is used to inform payments which are not subject to any type of income tax withholding and Form 480.6B is used to inform payments made that were subject to any type of income tax withholding. These forms must be filed with the PRTD, with a copy to the payee on or before February 28 of the year following the reported period. If you

are required to prepare one of these forms, you will also need to file Form 480.6B.1 — Annual reconciliation statement of the withholding at source on payments for services rendered, indemnification, dividends, partnership distributions and interest income except IRA. This form is also due on February 28 of the year following the reported period. In addition to this form, you will also need to file Form 480.5—Summary of Annual Information Return, also due on February 28.

We understand that determining whether a business payment made is subject to reporting and income tax withholding, as well as determining which forms to be used to report such payment may be confusing. If you feel this way, feel free to contact us and we will gladly assist you with this or any other matter.

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Please contact Rafael A. Arce, JD, CPA, MST, Senior Tax Manager at 787-725-1600 or at rarce@vgmmcpa.com , or any of our partners should you have any questions or comments or if you need additional information regarding this matter. This Tax Alert has been prepared for informative purposes and it is not intended to provide and does not constitute tax advice. Please contact us at 787-725-1600 or at fsosa@vgmmcpa.com if you would like us to add/delete you from our mailing list.

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