



Tax Bulletin 13-01

New Estimated Tax Payment Rules

With the approval of Acts Nos. 40 and 117 (Act No. 40 of June 30, 2013 and Act No. 117 of October 14, 2013), estimated tax payment calculation rules suffered significant changes, which may cause most, if not all, businesses and individuals to evaluate their current estimated tax calculation and payment policies.

Prior to the approvals of Acts 40 and 117, the rules for calculating the estimated tax payments were straight forward. Under the prior rules, taxpayers had to make sure that the estimated tax payments made during the year equaled the lower of the prior year's total tax or at least 90% of the current year's total tax. Under the new rules enacted by Acts Nos. 40 and 117, taxpayers must go through a two step calculation to determine the minimum required estimated tax payments due the 4th, 6th, 9th and 12th months of the taxpayers' tax year (except for individual taxpayer as the last estimated tax payment installment is due in January 15 of the following year). The estimated tax payments for the year must be equal to the smaller of 90% of the current year estimated tax or the larger of the (1) total tax paid during the prior tax year, or (2) the tax computed using the data from the prior tax year and applying the rules applicable during the current year.

It is extremely important to accurately calculate and deposit the estimated tax payments on the designated due dates as the 2011 Puerto Rico Internal Revenue Code imposes a 10% penalty of the unpaid estimated tax. Due to the current economic climate, we are certain the Puerto Rico Treasury Department will be aiming at assuring strict compliance with these requirements.

We understand that compliance with these rules can be complex. Here at VGMM CPA's we have developed a strong knowledge of the new rules enacted by Acts Nos. 40 and 117. Feel free to contact us if you would like our assistance in assuring that you are currently in compliance with these rules and in the calculation of future estimated tax payments installments.

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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 Bulletin 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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