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PR Department of Treasury Withholding Statement and Informative Return Forms



During the month of October 2016, the Puerto Rico Treasury Department (the Department) issued its latest revision of the Withholding Statement and Informative Return forms for the calendar year 2016. The Department has been aggressive in the imposition of penalties due to non-compliance with the requirements established in the Puerto Rico Internal Revenue Code of 2011, as amended (the Code). We present a summary of important facts to consider when preparing your annual informative returns.

As established in the Code, every person engaged in the trade or business within Puerto Rico, that made payments to natural or juridical persons not subject to withholding at source, must file Form 480.6A, Informative Return – Income not Subject to Withholding. The informative returns must be filed on or before February 28th following the calendar year. As provided by Section 1062.03(b)(1) of the Code, the first \$1,500 of service payments made during the calendar year to a person (natural or juridical) will not be subject to withholding at source. In the case that the amount paid exceeds \$1,500 and the excess is subject to withholding at source, the total amount paid and withheld must be reported on Form 480.6B, Informative Return – Income Subject to Withholding.

Notwithstanding the above, Form 480.6A will also be used to report those payments in excess of \$1,500 that are not subject to withholding at source specifically because they meet one of the exceptions established in paragraphs (2) through (14) of Section 1062.03(b) of the Code.

For payments in excess of \$1,500 that do not comply with the exceptions established by the Code, these will be reported on Form 480.6B regardless of whether any amount was withheld or not. If the entity has a tax waiver, the waiver number must be included in Form 480.6B to avoid any penalty according to Section 6041.01 of the Code.

For a list of answers to the most common questions regarding the 7% tax withholding, refer to the Department's Informative Booklet Regarding the Withholding at source in Case of Services Rendered, which can be accessed through the following address: http://hacienda.gobierno.pr/sites/default/files/folleto-servicios_prestados-ingles-2006.pdf

Valdés, García, Marín & Martínez, LLP is a Puerto Rico based firm of Certified Public Accountants and Consultants organized as a partnership for the practice of public accounting since 1975. Our 40 years of experience in public accounting support our commitment to excellence and professionalism.

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Please contact your account service partner should you have any questions or comments or if you need additional information regarding these matters.

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