

TORRES CPA NEWSLETTER

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INFORMATIVE BULLETIN TORRES CPA GROUP

Amendment to General Corporation Act and New Changes in Estimated Payments and SUT

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Law #164

File Requirements for 2009 Annual Reports

Every corporation organized under the Commonwealth of Puerto Rico must file a Corporate Annual Report to the State Department, no later than **April 15th**.

Among the most significant changes, the report shall contain the following information:

I. Domestic Corporations:

An **audited** Balance Sheet is required if the business income volume **exceeds \$3,000,000** and it must be prepared by a CPA licensed to practice by the Commonwealth of Puerto Rico.

Exceptions:

- An audited report is **not required** if the Corporation is a **Nonprofit Organization**.
- If gross income volume of a profit organization does **not exceed \$3,000,000**, is required to file:
 - A compiled balance sheet, in the format provided within the State Department annual report, and
 - **A compiled** balance sheet report prepared by a CPA.

The CPA should not be an employee or shareholder of the Corporation.

II. Foreign Corporation:

The same requirements mentioned above for the 2009 Annual Report also applies to Foreign Corporations.

III. Limited Liability Companies:

Limited Liability Companies (LLC) **will not have to file an Annual Report** to the State Department. Only pays annual fees of **\$100 on or before March 1st** of every year.

If the annual fees are not paid on or before March 1st, a penalty of \$100 will be imposed, in addition to the expired rights. The penalty of \$100 and the expired rights will accumulate monthly interests of 1.5% until is paid.

Effective Date - This law is effective starting on **January 1st, 2010**.

Other Law Dispositions

I. 2009 Extensions:

The extension will not be accepted if file personally. The Secretary of State could allow an extension that will not exceed 90 days, only if the extension **is filed online on or before April 15th**.

II. Late Annual Reports

Corporations can request to pay for late annual reports in installments. The Secretary of State will issue a written response **before 30 days** after request is made.

To grant a payment plan, 25% of the amount owe should be paid during the first year and the repayment shall not exceed 3 years for profit organizations (domestic or foreign) and 5 years for nonprofit organizations.

Effective Date

This law is effective starting on **July 8, 2009**.

However, Law No. 164 authorizes the Secretary of State to provide options to any profit or nonprofit organization that has Corporate Annual Reports due, to file these reports and reduce any penalties as follows:

a. Non Profit Organizations

Payment of twice the annual fees that would pay for each report not filed ($\$10 \times 2 = \20), without imposing any additional penalties and not the \$100, which is the penalty imposed by Law.

b. For Profit Corporations

Payment of three times the amount that would have been required to pay ($\$100 \times 3 = \300 dollars) for each report not filed and not the \$500 dollars, which is the penalty imposed by Law.

This option has not been regulated by the State Department. Once the Secretary of State issues a final determination, we will notify our clients.

Our mission:

“Valued Added Services Provided by Leading Professionals Obtaining a Reasonable Return On Investment”

Law No. 194

Individuals, Estates and Trusts Automatic Filing Extension

The law extends the automatic filing extensions to individuals, estates and trust from 30 days to **3 months**, if the taxpayer makes a request to the effect no later than the date filling the return is due.

Estimated Tax Declarations

A. Individuals, Corporations and Partnerships

The requirement to file the Estimated Tax Declaration (Form 480-E) is eliminated effective for tax periods starting after January 1, 2010. Nevertheless, **the requirement of making 4 estimated tax payments during the year will continue.**

The penalty for non compliance with estimated tax payments (Schedule T) is 10% of the unpaid amount.

B. Individuals

The requirements to make estimate tax payments increases from \$200 to **\$1,000** for the tax year.

For example, if you have a tax balance due of more than \$1,000 in the 2009 income tax return, you will be subject to make estimated tax payments during the calendar year 2010 on the following dates (4/15, 6/15/ 9/15 and 1/15).

With this change, a wage-earning or pensioner taxpayer could be subject to pay estimated payments. Also, if married filing separate returns, you will need to make **separate estimated payments.**

Estimated Tax Payment Forms:

1. **Estimated Tax Payment Form 480.E-1-** Manual form for those taxpayers that doesn't have deposit coupons. This form should be filed on the Treasury Department.
2. **Estimated Tax Payment Form 480.E-2-** Form to taxpayers who have pre-printed deposit coupons. This form could be filed in the Treasury Department or any Financial Institution.

Annual Sales and Use Tax Return (SUT)

Law No. 194 superseded Section 2603, Annual Sales and Use Tax of Law No. 120 of October, 31st, 1994, as amended. For this reason, from tax years **started after December 31, 2008 you don't need to file the Annual Sales and Use Tax Return.** Nevertheless, the monthly returns will continue to be filed on or before the tenth (10) day of the next month for any taxpayer who has a "Merchant

Certificate of Withholding Agent".

Any merchant that filed and pay the SUT after its due date could be exposed to the revocation of its "Merchant Certificate of Exemption".

Employer Quarterly Returns

The penalty for late filing of the employer Quarterly Returns is **reduced from \$500 to \$100.**

Effective Date

The changes to automatic extension of individuals and Annual Sales and Use Tax Return apply to tax years after December 31, 2008 and the changes to Estimate Tax Payments and Quarterly Returns apply from December 31, 2009.



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Remember that in Torres CPA Group we are committed to your financial health and will help you reduce the payment of contribution within the framework that the law allows us.

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