

March 15, 2007



IMPORTANT NOTICE

CHANGE IN THE PAYMENT OF TAX WITHHELD FROM SALARIES

Act 18 of March 6, 2007 amended again the Puerto Rico Internal Revenue Code to the effect that the tax withheld from salaries should be paid or deposited according to regulations to be issued by the Secretary of Treasury. The deposit should be made in any depository institutions authorized by the Secretary of the Treasury to receive such funds. **This law reestablishes the language existing prior to the amendment made by Act 117 of July 4, 2006.**

In issuing the regulations the Secretary of the Treasury must follow the criteria for the collection and deposit of the income tax withheld on salary payments made by the Federal Government and the Social Security tax. In Circular Letter 07-05 the Secretary of the Treasury establishes the rules for the payment of the tax withheld to employees, which are effective for salary payments starting on **April 1, 2007.**

The new rules for the deposit of the tax withheld are:

- A. Employers whose tax withheld in a quarter does not exceed \$500. - Must pay the tax withheld when filing the quarterly return (Form 499 R-1B).
- B. New employers and employers that withheld and reported \$50,000 or less during the period between July 1 of the year before last and June 30 of last year. - Are considered as monthly depositors. Must pay the tax withheld not later than the fifteenth (15) day of the month following the withholding. An employer ceases to qualify as a monthly depositor starting on the first day within a period in which the accrued tax withheld is \$100,000 or more and shall become a biweekly depositor for the rest of the year and for the following calendar year.
- C. Employers that withheld and reported more than \$50,000 during the period between July 1 of the year before last and June 30 of last year. - Are considered biweekly depositors. Must pay the tax withheld depending on the day in which payroll is made. If the payroll is made on a Wednesday, Thursday or Friday must make the deposit not later than the Wednesday after payday. If payment is made on a Saturday, Sunday, Monday or Tuesday must make the deposit not later than the Friday after payday.
- D. Employers that withheld \$100,000 or more in any day of the period of the deposit. - Must make the deposit not later than the closing hour of the following banking day.

The Code provides for the imposition of penalties for failure to comply with these provisions.

Should you need any additional information, please contact:

Rafael Del Valle, CPA – Ext. 225 – rafael@htrcpa.com

Giovanna Díaz – Ext. 224 – giovanna@htrcpa.com

Edgardo Rosa, CPA – Ext. 227 – edgardo@htrcpa.com

José Pi Vázquez, CPA – Ext. 237 – josepv@htrcpa.com

PO Box 366352 San Juan, PR 00936-6352 *Tel.: 787-793-4650 *Fax: 787-783-7834/749-8722 *www.htrcpa.com

