

Doing Business in Puerto Rico

2008



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1. Introduction

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 70 countries throughout the world. Business partners work together through the network to conduct trans-national operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Puerto Rico has been provided by the office of UHY representatives:

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Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at December 2008.

We look forward to helping you do business in Puerto Rico.

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2. Business environment

The Commonwealth of Puerto Rico is a semi-autonomous territory of the United States located in the north-eastern Caribbean, east of the Dominican Republic and west of the Virgin Islands. Puerto Rico has a republican form of government, subject to the United States of America jurisdiction and sovereignty. The President of the United States is the head of state. The government of Puerto Rico is composed of three branches: Executive, Legislative, and Judicial. The Executive branch is headed by the Governor. The Legislative branch consists of bicameral Legislative Assembly made up of a Senate and a House of Representatives. The Judicial branch is headed by the Chief Justice of the Puerto Rico Supreme Court. The governor and legislators are elected by popular vote every four years. The governor with the advice and consent of the Senate appoints members of the judicial branch.

Puerto Rico has seventy-eight (78) municipalities. Each municipality has a mayor and a municipal legislature elected for a four year term.

Population

Almost four (4) million inhabitants according to the census of 2000.

Area

3,515 square miles (9,104 km²), including the neighbouring islands of Vieques and Culebra. The maximum length from east to west is 110 miles (180 km.) and the maximum width from north to south is 40 miles (64km.).

Currency

The U.S. Dollar.

Language

The official languages are Spanish and English with Spanish being the primary language.

The economy

Puerto Rico had a per capita Gross Domestic Product (GDP) of \$19,600 for 2007.

Unemployment

The unemployment in Puerto Rico is around 11.2%.

3. Foreign investment

Financing

Credit for financing a business may be obtained from commercial banks doing business in Puerto Rico including United States or foreign banks. In addition, the Puerto Rico Government Development Bank may provide financing. The Puerto Rico Authority of Financing for Industrial, Tourism, Educational, Medical and Environmental Control Facilities (AFICA) provides an alternate method to finance investment capital in Puerto Rico for projects in the public and private sectors in order to promote economic development for Puerto Rico.

In addition, the Economic Development Bank, targeted to small and medium entrepreneurs, is another source for financing a business.

Incentives

Puerto Rico has approved legislation intended to provide the adequate environment and opportunities to continue the development of local industry, offer an attractive tax proposal to attract foreign investments and promote economic development and social improvement in Puerto Rico. With this purpose, the Governor signed into law the Puerto Rico Development Economic Incentives Act (Act 23 of May 28, 2008) (PRDEIA). This Act became effective July 1, 2008.

Flat income tax rate

The law provides a flat income tax rate on the income derived by an exempted business. An exempted business is an eligible business established or to be established by a natural or juridical person, or combination thereof, organized under a common name, which has been granted one or various tax exemptions, but excluding hotel, inns, and other special facilities that are exempted under specified acts.

Eligible businesses

Eligible businesses include manufacturing and service units, property devoted to industrial development, research operations, industrial units for the production of energy, recycling activities, software developers, renewable energy equipment assemblers, certain strategic projects, construction of social interest housing and planning and development of self-sustainable housing projects.

Rates

The income tax rates for new businesses are:

- 4% - as a general rule (during the period of the exemption). An exempted business in a low or intermediate development zone may reduce the tax rate by an additional 0.5%.
- 0% in the municipalities of Vieques and Culebra during the first 10 years and 2% thereafter.
- 0% on certain eligible investment income.
- 100% exemption on dividends.
- 0% tax on liquidations.

For an innovative pioneer activity the flat income tax rate shall be 1%. The Secretary of the Department of Economic Development shall determine what an innovative pioneer activity is, after considering the factors indicated in the law. The income from intangible property created or developed in Puerto Rico shall be 100% exempt.

Special deduction

PRDEIA allows to an exempted business the option of deducting in the year in which incurred (in lieu of capitalizing and depreciating them) the expenses incurred in the acquisition or construction of buildings, structures, and machinery and equipment not previously used or depreciated in Puerto Rico, if used for manufacturing or rendering of the exempted service.

Credits

The law also allows credits for:

- the purchase of products manufactured in Puerto Rico,
- the creation of jobs, for investment in investigation and development, clinical and toxicological tests, infrastructure, energy renewal or intangible property,
- investment in machinery and equipment for the production and efficient use energy,
- reduction in the cost of energy,
- investment in the transfer of technology,
- investment in strategic projects, and
- industrial investment.

Period of exemption

The exemption period is 15 years and the exempted business has the option of selecting the years to be covered by the exemption with respect to the income tax exemption when notify the Secretary of the Treasury and the Director of the Puerto Rico Industrial Development Company within the time prescribed.

Application for exemption

Any person may request the benefits of the PRDEIA by filing a request under oath, together with the service fee, with the Industrial Exemption Office.

Property tax exemption

- 90% exemption on eligible real and personal property.
- 100% exemption on real property to corporate headquarters engaged in rendering centralized management services during the first 5 years and 90% exemption thereafter.
- 100% exemption on real property during the construction or expansion period as authorized in the tax decree.

Election for self-assessment of real property not previously assessed:

- 90% exemption. The property shall be assessed at 35% of the book value or at a minimal residual value, whichever is higher. The minimal residual value shall be:

<u>Useful life of the property</u>	<u>Cost</u>
2 to 5 years	25%
6 to 10 years	17%
11 to 15 years	15%
16 years and more	10%

An annual real property tax return shall be filed on or before May 15. The election requires the payment of the real property tax for the current and four (4) prior taxable years, or the number of years the business was in operation, whichever is less. The tax for the prior years may be paid in two instalments, the first one with the corresponding return and the second one within six months.

Municipal license tax

- 60% exemption
- 90% exemption for businesses in the municipalities of Vieques and Culebra.
- 75% exemption for small and medium size businesses. (Businesses whose average gross income for the preceding three (3) years does not exceed \$10 million.) For existing businesses, the 75% exemption shall be on the volume of business in excess of the average for the prior three years.
- 100% exemption for central or regional corporate headquarters during the first 5 years, and 90% exemption thereafter.

- 100% exemption during the first semester of commencing operations and during the following two semesters if requested from the municipality.
- 100% exemption on eligible investments.

A business may give up the 5% discount for prompt payment of the tax in order to reduce the statute of limitation period from four (4) years to three (3) years.

Construction excise tax

- 100% exemption to the exempted business, its contractors or subcontractors, for the construction to be used by the exempted business during the period authorized in the grant of tax exemption.

Municipalities may grant a total or partial credit for the total cost in self-sustainable housing projects.

Excise and Sales and Use tax

- 100% exemption on raw materials (excluding hydraulic cement, crude oil, unfinished or end products derived from oil, and other hydrocarbon mixtures), manufacturing machinery, equipment and vehicles and accessories used in the exempt operations, energy efficiency equipment certified by Energy Affairs Administration, etc.

4. Setting up a Business

There are many ways in which a business may be set up in Puerto Rico. Set out below are the most common alternatives.

Corporation

A corporation is a legal form of organization used to carry on a business enterprise. It is an entity separate and distinct from its shareholders, directors and officers. A corporation has the power to enter into contracts and to hold property on its own name, to sue and be sued on its own name, continuity of life, and free transferability of ownership interests. Additionally, the liability of corporate shareholders for the acts of the corporation, except in certain cases, is limited to their investment in its stock. Management of the corporation is centralized in its board of directors.

Puerto Rican Corporations

Any natural person with legal capacity or any juridical person singly or jointly with other, may incorporate or organize a corporation by filing in the Department of State of Puerto Rico a certificate of incorporation which shall be executed, acknowledged, filed and recorded in accordance with the provisions of the General Corporation Law of Puerto Rico of 1995.

Non-Puerto Rican Corporations

Any corporation organized under the laws of any jurisdiction other than the Commonwealth of Puerto Rico may request a certificate of authorization to do business in Puerto Rico by filing in the Department of State of Puerto Rico an application in the Department of State setting forth the information required by the General Corporation Law of Puerto Rico of 1995. The approval to do business within Puerto Rico is usually granted as a matter of course as long as no other corporation is doing business under the same name and as long as the corporation intends to pursue is one permitted under the law.

No foreign corporation shall do any business in the Commonwealth of Puerto Rico until it receives authorization to do so pursuant to the procedures established in the law.

A foreign corporation may establish a branch in Puerto Rico by filing the documents required.

Annual Corporation Report

Every corporation (domestic or foreign) is required to file an annual corporation report with the Puerto Rico Department of State on or before April 15, of each year. A \$100 annual fee is payable when filing the report. The report must include a balance sheet prepared pursuant to generally accepted accounting principles, showing the financial condition of the Puerto Rico operations of the corporation at the close of its year. The balance sheet must be audited and certified by a certified public accountant with license from the Commonwealth of Puerto Rico. The auditor's opinions must have the stamp from the Puerto Rico Certified Public Accountants Association and the accountants' seal.

In the case of a Puerto Rican corporation the balance sheet must be duly certified by a certified public accountant licensed in Puerto Rico only when the volume of business of the corporation exceeds one million dollars (\$1,000,000). The balance sheet of a non-Puerto Rican Corporation must be certified by a Puerto Rico certified public accountant without consideration to the volume of business.

The Annual Corporation Report is a public document available for anyone to see at the premises of the Department of State.

Partnership

A partnership is an organization by two or more persons to carry on business for profit. It is a legal entity that can own property and sue or be sued on its own name. As a general rule, each member of a partnership is liable for the debts of the business and is held liable for the partnership obligations.

Partnerships are subject to income taxes on the partnership's income. The liability for taxes applies regardless of whether the partnership's profits are distributed or retained. Similarly, a distribution of the partnership profits is taxable to the recipient at a 10% rate, if the distribution is made by a domestic partnership or certain foreign partnerships.

Limited Liability Partnership

A limited liability partnership is a partnership formed by no less than two natural persons under the provisions of the Limited Liability Partnership Act, including those rendering professional services, or a related limited liability partnership. Its name must be followed by the words "limited liability partnership" or "sociedad de responsabilidad limitada", or the abbreviation "L.L.P." or "LLP" or "S.R.L." or "SRL".

To be considered as a limited liability partnership it must register with the Department of State by filing a certified copy of the constituent deed accompanied by payment of a \$100 fee. The deed must contain the partnership name, the address of the principal office, the name and address of the managing partner and of each partner, and a brief description of the business. A foreign limited liability partnership must also submit an application for registration, the jurisdiction in which was registered and the name of the person designated to receive summons.

A partner of a limited liability partnership is personally liable for the partnership obligations solely to the extent of his contribution to the partnership. He is not generally responsible for the obligations of other partner arising as result of error, omission, negligence, incompetence, or illicit act committed by another partner, or employee, agent, or representative of the partnership.

Limited Liability Company

A limited liability company is a corporation formed by one or more persons that executed the Limited Liability Company Certificate of Formation and file it with the Puerto Rico Department of State. The Certificate must state the name, address of the registered office and name and address of its resident agent. Its name must be followed by the words "Limited Liability Company" or "Compañía de Responsabilidad Limitada", or the abbreviations "LLC", "L.L.C.", "CRL" or "C.R.L.". A fee of \$80.00 needs to accompany the Limited Liability Company Certificate of Formation.

A Foreign LLC may register in Puerto Rico by petition signed by an authorized person following the procedures specified in the General Corporation Act and when registered shall have some powers as a domestic LLC, provided that a Foreign LLC's internal affairs and the liability of its manager and members shall continue to be governed by laws of the jurisdiction where the LLC is organized.

An LLC may engage in any lawful activity. Each LLC must maintain a registered office and resident agent for services of process in Puerto Rico. The LLC all required to prepared the LLC Agreement, which sets out the duties of the LLC to its managers and members, and duties of theses to the LLC and to each other, as well as the management structure of the LLC, the rights of the management and members and their respective share of interest in the LLC profits and losses.

Unless otherwise provided in the LLC Agreement, no manager or member is personal liable for the LLC's obligations solely by reason of being a manager or member of the LLC.

An Annual Fee needs to be file annually with the Puerto Rico Department of State with a payment fee of \$100.00 in order to maintain the good standing with the agency.

Special Partnership

A special partnership is one which meets certain requirements and has elected not to pay income tax on its income. Its items of income, loss, deduction and credits are passed through to, and taken into account by its partners in computing their individual tax liabilities. The double taxation imposed to corporations and partnerships is avoided.

The special partnership provisions are applicable to partnerships and corporations upon making an election under the Puerto Rico Internal Revenue Code. A special partnership must derive at least 70% of its gross income from sources within Puerto Rico during each taxable year and at least 70% of such income must be from one of the following eligible activities:

- Construction;
- Land development;
- The substantial rehabilitation of buildings and structures;
- Sale or rental of buildings or structures;
- Manufacturing which generates substantial employment;
- Tourism;
- Agriculture;
- Exportation of goods or services;
- The production of long feature films; or
- Construction, operation or maintenance of public roads and adjoining facilities.

The election to be considered as a special partnership must be made by filing an election with the Puerto Rico Treasury Department. Generally the corporation (or partnership) can make the election for any taxable year: (1) at any time during the preceding tax year, or (2) during the first 90 days of the tax year the election is to take effect.

Corporation of individuals

With limited exceptions, a corporation of individuals is not taxed at the corporate level; instead the items of income, loss, deduction, and credit are passed through to, and taken into account by, its shareholders or partners in computing their individual tax liabilities. A corporation of individuals

is a corporation with only one class of stock and having no more than 75 shareholders who are individuals, estates, or certain trusts. The corporation must be a corporation created under the laws of the Commonwealth of Puerto Rico or a corporation created under the laws of any state of the United States or the District of Columbia whose trade or business is exclusively in Puerto Rico, except:

- an insurance company,
- a registered investment company,
- a special corporation owned by employees,
- a corporation exempt under any tax incentives or similar acts, except under the Puerto Rico Tourists Development Act of 1993,
- a financial institution, or
- a corporation licensed as a capital investment fund.

Certain partnerships may also elect to be treated as a corporation of individuals.

The election to be considered as a corporation of individuals must be made by filing a Subchapter N Election with the Puerto Rico Treasury Department. Generally the corporation (or partnership) can make the election for any taxable year: (1) at any time during the preceding tax year, or (2) at any time before the 15th day of the fourth month of the tax year, if filed during the tax year the election is to take effect.

Tax consequences or considerations before the Election of Special Partnership or Corporation of Individuals

An electing corporation (or partnership) that used LIFO inventory method, flexible or accelerated method of depreciation, long-term completed contract, or instalment sales method for the tax year prior to the election to be treated as a corporation of individual is made must recapture as income these items in the last year before the election is made. The increase in tax resulting from the recapture is payable with the final income tax return of the regular corporation (or partnership), except for the tax resulting from the LIFO recapture which is payable in three equal instalments over three taxable years. The first instalment is payable with the final return of the regular corporation (or partnership).

All accumulated earnings and profits of an electing corporation are deemed distributed during the first two years of the election and are generally subject to the 10% special tax on eligible distributions.

A corporation (or partnership) before making the election may be subject to a built-in gains tax at the corporate level during the ten-year period

beginning on the first day of the corporation's first tax year as a corporation of individuals.

5. Labour

Wages

The United States Federal Fair Labour Standards Act (FLSA) applies in Puerto Rico. Employers covered by the FLSA are subject only to the federal minimum wage and all applicable regulations. Employers not covered by this act are subject to a minimum wage that is at least 70% of the Federal minimum wage, or the applicable mandatory decree rate, whichever is higher. The Secretary of Labour and Human Resources of Puerto Rico may authorize a rate based on a lower percentage for any employer who can show that implementation of the 70 percent rate would substantially curtail employment in that business.

The FLSA establishes minimum wage, overtime pay, record keeping, and youth employment standards affecting employees in the private sector and in Federal, State, and local governments. Covered non-exempt employees are entitled to a minimum wage of not less than \$6.55 per hour effective July 24, 2008; and \$7.25 per hour effective July 24, 2009.

Puerto Rico also has a minimum wage rates that vary according to the industry. These rates range from a minimum of \$4.25 to \$7.25 per hour.

Federal Unemployment tax

The Federal Unemployment Tax Act (FUTA) provisions apply in Puerto Rico as well as in the United States. The tax is imposed on persons who employ one or more individuals for a portion of a day in each of 20 weeks in the current or preceding calendar year, or who pay in the aggregate \$1,500 or more of wages in a calendar quarter of the current or preceding calendar year.

The FUTA tax rate for 2008 is 0.8% after a credit of 5.4% for the Puerto Rico unemployment tax on the first \$7,000 of wages paid to an employee each calendar year. The tax is deposited quarterly. Any excess is deposited with the last quarterly instalment along with the annual return Form 940-PR due on January 31. The address to file the form depends on whether payment is included or not. When there is no payment the return should be filed with Internal Revenue Service, P. O. Box 409101, Ogden, UT 84409. When

payment is included the form should be filed with Internal Revenue Service, P.O. Box 10174, Atlanta GA 30348-5174.

The taxpayer can file and pay electronically by using electronic options available from the Internal Revenue Service.

Puerto Rico Unemployment Tax

Each employer pays this tax on the first \$7,000 of annual wages paid, based on an experience rating system. In addition, every employer must pay a special tax of 1% of all taxable wages. However, the special tax together with the experience-based tax would not exceed 5.4% and may be credited against the Federal Unemployment tax mentioned above. The total tax is paid by the employer and applies to every employer having one or more employees. The tax is paid quarterly on the last day of the calendar month following each calendar quarter. The check for payment of the tax should be made payable to the Secretary of the Treasury of Puerto Rico.

Social Security

The provisions of the United States Federal Insurance Contributions Act of 1935 (FICA) apply in Puerto Rico. Under this act, both employers and employees are required to contribute to the Social Security Fund that was established to provide retirement benefits for all workers. For the year 2008 the tax rate is 7.65% for employer and employee. The percentage is comprised of 6.2% for social security and 1.45% for hospital insurance. The maximum social security wage base for 2008 is \$102,000 and the 1.45% for hospital insurance is computed on all wages regardless of amount. Self-employed individuals are subject to the total 15.3% tax rate on net earnings from carrying on a trade or business.

Disability Benefits Tax

The Disability Benefit Act provides benefit payments to employed workers who suffer the loss of wages as a result of incapacity to perform their customary work due to injury, illness or pregnancy. This Act provides a tax of 0.60% on the first \$9,000 of wages paid during the calendar year by an employer to an employee. Both the employer and employee share the tax imposed evenly. An employer can set up a private plan to cover the benefits provided in this act. Employers subject to the chauffer social security tax are not subject to this tax.

Workmen's Compensation

Workmen's compensation provides for indemnification for accidents incidental to or as a consequence of the employment. All the employees of the business, including executive officers, are covered. The rate varies according to the type of labour performed by the employee. Rates are revised every year. And the tax is entirely borne by the employer and is usually paid in two instalments.

Christmas Bonus

Every employee having worked at least 700 hours during the twelve months period beginning October 1 and ending on September 30 of the following year is entitled to receive a Christmas bonus. The maximum bonus to be paid to each employee who has worked the required 700 hours during the base period is as follows: 2% through 2005, 3% for 2006, 4.5% for 2007 and 6% for 2008 and thereafter. The maximum individual employee wages subject to the bonus is \$10,000 and the maximum bonus payable to each employee is \$200 through 2005, \$300 for 2006, \$450 for 2007 and \$600 for 2008 and after. If the business has 15 or less employees the bonus is 2% through 2005, 2.5% for 2006, 2.75% for 2007, and 3% for 2008 and after and the maximum bonus payable is \$200 through 2005, \$250 for 2006, \$275 for 2007 and \$300 for 2008 and after.

The aggregate bonus to be paid should not exceed 15% of the net annual profit during the base period. The bonus is generally to be paid during the first 15 days of December but the employer and employee may agree on a different payment date, which may be set by a collective bargaining agreement.

Persons employed in farm activities, household duties, domestic service in a private residence and charitable non-profit institutions are not entitled to the bonus.

6. Taxation

The major taxes imposed in Puerto Rico are income taxes, property taxes, municipal license taxes, sales and use taxes, excise taxes and payroll taxes. Entities doing business in Puerto Rico must comply with the requirements imposed by the different laws such as payments of the tax, withholdings on certain payments and filing different returns and reports with different government agencies.

Income taxes – Are imposed to individuals and to businesses. The tax rate to an individual depends on whether he is a resident of PR or not. For the year 2007, the ordinary taxable income of resident individuals is taxed at progressive rates ranging from 7% to 33% (in taxable income over \$50,000 or \$25,000 if a married person filing separate). Preferential rates are provided for capital gains, certain dividends and partnership's distributions and interests on certain obligations or deposits with organizations of banking nature. For determining the taxable income, the individual may claim the deductions and exemptions provided in the Puerto Rico Internal Revenue Code of 1994. For additional information refer to Appendix I.

Non-residents are taxed only on their income from sources within P. R. or on income effectively connected with the conduct of a trade or business within Puerto Rico. The tax rate for non-residents depends on the class of income and on whether or not the individual is engaged in trade or business in Puerto Rico.

The tax rates for corporations and partnerships organized under the laws of Puerto Rico range from 20% to 39% on their taxable income. The taxable income is determined after the allowable deductions and credits. The ordinary rates for corporations and partnerships are shown in Appendix II. The rates for corporations and partnerships not organized under the laws of PR depends on whether or not the entity is engaged in trade or business in Puerto Rico.

In addition and as a general rule, every person subject to this tax for the purpose of enabling the Secretary of the Treasury to determine the correct amount of income subject to the tax, shall keep permanent books of account or records as are sufficient to establish the amount of the gross income and the deductions, credits and other matters required to be shown in any return.

Property taxes – As a general rule, property taxes are imposed on the assessed value of real and personal property. The real property tax is imposed on the value of the property as assessed by the Municipal Revenue Collection Centre. The tax is payable semi-annually on July 1 and January 1 of each year.

The personal property tax is self-imposed upon the filing of a return by any natural or legal entity engaged in a Puerto Rico trade or business and that on January 1 owns personal property used in the trade or business. The tax rate depends on the place (Municipality) in which the property is located. For the taxable year 2007-08 the personal property tax rates range from 5.80% to 8.23%. The real property tax rates are 2% higher.

Municipal license taxes – This tax is similar in nature to the gross receipts. It is imposed to all persons engaged in business based on the volume of business attributable to the corresponding municipality. The tax rate is not the same in every municipality. For determining the applicable rate, businesses are grouped in two categories: financial and non-financial. Financial businesses are subject to a maximum rate of 1.50% of the volume of business. Non-financial businesses are imposed a maximum tax of one half of one percent of the volume of business. The definition of volume of business is different for financial and non-financial businesses.

In order to conduct operations free of this tax for the semester a business commenced operations, every person who commences any industry or business is obliged to notify the Municipal Treasurer within 30 days of commencement of operations.

Sales and use tax – A sales and use tax is imposed on every sale of tangible personal property or taxable service, admission, use, storage or consumption in Puerto Rico, unless specifically exempted. The sales and use tax is 7% (6% for the Commonwealth of Puerto Rico and 1% for the municipalities). Generally retail sales are taxable, but sales for resale and for export are exempt. The sales and use tax will be pay in a monthly basis on or before the 20th of the next month.

Excise taxes – This tax is imposed only once on articles imported, sold, consumed, used or transferred in Puerto Rico. This tax is imposed on cement manufactured or introduced into Puerto Rico, sugar, plastic products, cigarettes, fuels, products derived from oil and hydrocarbon mixture and, vehicles and on certain transactions. The tax rates are different for the different products.

Some other transactions are also subject to an excise tax. Included in these transactions are sales of jewellery, occupancy or rooms in hotels, public shows, and horse racing winnings. The tax rate varies depending on the transaction.

Payroll taxes – A business operating in P. R. must comply with the U. S. Federal Insurances Contribution Act (FICA), the U. S. Federal Unemployment Tax Act (FUTA), the P. R. Unemployment and Disability Taxes Provisions, the P. R. Chauffeur’s Social Security, the P. R. Workmen’s Compensation Insurance, and the P. R. Christmas Bonus Act provisions.

Annual report – Every corporation is required to file an annual corporation report with the Puerto Rico Department of State. A \$100 annual fee is payable when filing the report. In addition, a corporation organized under the laws of Puerto Rico must file a balance sheet certified by a CPA licensed in Puerto Rico when the volume of business exceeds \$1,000,000. In the case of foreign corporations authorized to do business in Puerto Rico, the Annual Report needs to be accompany with a balance sheet of the Puerto Rico operations certified by a CPA licensed in Puerto Rico, independently the volume of business.

7. Accounting & reporting

As well as in the United States, CPA firms that provide attest services are required to be registered with the Public Accounting Oversight Board. This Board was created to provide registration, inspection, auditing standards, and enforcement for all CPA firms providing audits of publicly owned companies including those listed in the US exchanges.

In addition, every person engaged in trade or business in Puerto Rico (domestic or foreign) whose volume of business exceeds \$1,000,000 (for taxable years commencing after July 31, 2008, this requirement produce an increase up to volume of business of \$3,000,000.) must file with the income tax return; the property tax return and the volume of business return financial statements certified by a certified public accountant (CPA) licensed in Puerto Rico. All foreign corporations must file a balance sheet of the Puerto Rico operations certified by a CPA licensed in Puerto Rico together with the Annual Corporation Report without considering the volume of business.

Licenses to engage in the practice of public accounting in Puerto Rico are issued by the Board of Accountancy to every holder of a certificate as a certified public accountant and to every person registered as a public accountant.

8. UHY firms in Puerto Rico

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9. UHY offices worldwide

For contact details of UHY offices worldwide, or for details on how to contact the UHY executive office, please visit www.uhy.com

