



Juan Carlos Puig
Secretary of the Treasury

October 28, 2010

ADMINISTRATIVE DETERMINATION NO. 10-09

ATTENTION: ALL EMPLOYERS, WITHHOLDING AGENTS, AND EMPLOYEES

**SUBJECT: WITHHOLDING EXEMPTION FROM WAGES PAID DURING
PAYROLL PERIODS IN THE MONTH OF DECEMBER OF 2010 AND
THE CHRISTMAS BONUS FOR SAID YEAR**

I. Statement of Motives

The Internal Revenue Code of Puerto Rico, as amended (Code), provides that every employer that pays wages shall deduct and withhold income tax on said wages in accordance with the withholding tables approved by the Secretary.

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On October 25, 2010, the Governor of Puerto Rico presented to the Legislature his proposed Tax Reform, which grants tax benefits to all taxpayers. These benefits, which are immediate in nature, shall apply to the income earned during the taxable year begun on January 1, 2010 and which ends on December 31, 2010.

As part of said proposed Tax Reform, all taxpayers who file individual income tax returns shall be able to claim a credit up to 15%, depending on the adjusted gross income, against the tax liability for the current taxable.

II. Determination

In order to provide an immediate benefit to taxpayers, and given the limited time to adjust the withholding tax tables as a result of the benefits of the Tax Reform proposed by the Governor, all employers and withholding agents are hereby exempted from their obligation to withhold the income tax at source with respect to the wages paid on daily, weekly, biweekly, bimonthly, and monthly payroll periods corresponding to the month of December 2010.

Additionally, employers are exempted from their obligation to withhold the income tax at source on the Christmas Bonus corresponding to taxable year 2010. However, any income that does not constitute wages or Christmas Bonus shall continue to be subject to income tax withholding.

Also, all payments shall continue to be subject to any other deduction authorized by law, such as the discounts for federal Social Security, Medicare and retirement, and those incurred voluntarily by the employee.

III. Effectiveness

The provisions of this Administrative Determination are effective immediately.

For additional information regarding the provisions of this Administrative Determination, you may contact the Bureau of Taxpayer Services at (787) 722-0216 or by e-mail at infoserv@hacienda.gobierno.pr.

At the Department of the Treasury, we are here to serve you.

Cordially,


Juan Carlos Puig