

December 3, 1998

INFORMATIVE BULLETIN NO. 98-08

Attention: Employers and Withholding Agents

Act No. 262 of September 3, 1998 amended various sections of the Puerto Rico Internal Revenue Code of 1994, as amended (Code), regarding the deposit of: (i) income tax withheld from salaries, services rendered and interest; and (ii) excise taxes on crude oil, and the penalties for not depositing said taxes.

The purpose of this Informative Bulletin is to inform the amendments provided by Act No. 262, in order that you may comply with them.

I. Income tax withheld at source on salaries

The amendments modify the deposit system of income tax withheld at source on wages to make it similar to the one used by the Federal Government for the deposit of income tax on salaries and the contributions to social security. These rules apply to income taxes withheld at source from **wages paid on January 1, 1999 and thereafter**, and can be summarized as follows:

1. **Employers whose quarterly withholdings have not exceeded \$500.00.** These employers are not required to make the monthly deposit; instead, they will pay said income tax when filing the quarterly return.
2. **New employers and employers who have withheld and reported \$50,000 or less during the lookback period which begins July 1 and ends June 30 of the preceding year (i.e. the lookback period for calendar year 1998 begins July 1, 1996 and ends June 30, 1997).** These employers will be considered monthly depositors and will continue depositing their income tax not later than the fifteenth (15) day of the month following the month in which the withholding was made.
3. **Employers who have withheld and reported over \$50,000 during the lookback period which begins July 1 and ends June 30 of the preceding year.** These employers will be considered semiweekly depositors and shall deposit the income tax withheld on Wednesdays or Fridays, depending on the day the payroll is paid. That is, if the employer pays the payroll on Wednesday, Thursday or Friday, the deposit must be made the following Wednesday. However, if the payroll is paid on Saturday, Sunday, Monday or Tuesday, the deposit must be made the following Friday.

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4. **Employers who have withheld \$100,000 or more in any day of a deposit period.** These employers shall make the deposit not later than the closing hour of the next banking day.

The determination of whether an employer is a monthly or semiweekly depositor will be made annually based on the employer's tax withholding payment history during the 12 month lookback period ending on June 30 of the preceding year.

II. Income tax withheld from payments for services rendered (7%)

The deposit required for amounts withheld from payments for services rendered shall be made not later than the tenth (10) day of the month following the month in which the withholding was made.

III. Income tax withheld from interest payments (17%)

The deposit of income tax withheld from interest paid by financial institutions shall be made not later than the tenth (10) day of the month following the month in which the withholding was made.

IV. Excise taxes on crude oil, unfinished oils and products derived from oil and any other hydrocarbon mixture.

In the case of local manufacturers, the tax shall be paid not later than the tenth (10) day of the month following the date of the tax imposition.

Any employer, taxpayer or withholding agent who fails to comply with these provisions will be subject to the penalties imposed by the Code.

The provisions indicated in items II through IV are effective since September 3, 1998, the date of approval of Act No. 262.

If you have any question concerning the topics included on this Informative Bulletin, you may contact the Consulting Section of the Tax Assistance and Legislation Bureau at 725-5182, 721- 2020 extension 3611, or toll free at 1-800-981-9236.

The Department of the Treasury will soon promulgate the regulations under Act No. 262, which will include the criteria and guidelines for the deposit of income tax withheld at source on wages.

Remember, in Hacienda we are at your service.

Xenia Vélez Silva
Secretary of the Treasury

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