

TAX ALERT
January 11, 2010

**Regulation on the Filing of Reports under the Economic Incentives for the
Development of Puerto Rico Act**

The Secretary of the Puerto Rico Department of Economic Development and Commerce and the Executive Director of the Puerto Rico Industrial Development Company recently issued Regulation No. 7738, which became effective October 10, 2009, regarding the reports that must be filed by a business holding a tax incentives grant under the Puerto Rico Economic Incentives Development Act of 2008 (“EIDA”) or a prior tax incentives act (the “Exempt Business”). The Regulation establishes the filing process and the imposition of severe consequences in the form of administrative fines and/or revocation of tax incentive grants for failure to file, or the incomplete or late filing of the required reports.

The due date for the Annual Report required to be filed by an Exempt Business with the Office of Industrial Tax Exemption (“OITE”) continues to be 30 days after the due date of the Exempt Business’ Puerto Rico income tax return, including any extension thereon, and the filing fee for the Annual Report remains at \$300. However, the Annual Report must now be also filed with PRIDCO and the Puerto Rico Treasury Department and it is a much more extensive form. No official form has been published in English, but a copy of the document in Spanish currently published for filing can be accessed [here](#).

The Regulation also establishes the filing process of a special report (the “Special Report”) that must be filed by an Exempt Business granted benefits for so called “Novel Pioneer Products.” The Special Report is to be filed every two years and must be attached to the Annual Report. Pursuant to Regulation 7739, there is no separate fee for the filing of the Special Report.

Reports shall be filed or corrected as required by the Director of OITE, the PRIDCO Executive Director, the DDEC Secretary, the Puerto Rico Secretary of the Treasury and/or the Puerto Rico Commissioner of Financial Institutions, and any deficiency shall be corrected or justified by the Exempt Business within 15 days of notification.

Failure to or incomplete filings will result in a notification from Director of OITE granting the Exempt Business 30 days to correct the deficiency; otherwise, a fine of \$10,000 will be imposed. If after a 20 day notification grace period the report is still not filed or corrected and/or the \$10,000 fine is not paid, then the Regulation calls for the imposition of additional penalties and the revocation of the tax incentive grant by the Director of OITE.

If you have any questions or comments, or wish additional information regarding the matters discussed herein, please contact any of the following attorneys in our Tax Exemption Practice Team:

Esteban R. Bengoa	787-250-5626	erb@mcvpr.com
Isis Carballo	787-250-5691	ici@mcvpr.com
Rafael Fernández Suárez	787-250-5629	rf@mcvpr.com
Jorge R. González	787-250-5633	jrg@mcvpr.com
Antonio J. Rodríguez	787-250-5663	ajr@mcvpr.com
Carlos E. Serrano	787-260-5698	ces@mcvpr.com
Xenia Vélez	787.250.2620	xv@mcvpr.com

The content of this Tax Alert has been prepared by us for information purposes only. It is not intended as, and does not constitute, either legal advice or solicitation of any prospective client. An attorney-client relationship with McConnell Valdés LLC cannot be formed by reading or responding to this Tax Alert. Such a relationship may be formed only by express agreement with McConnell Valdés LLC.