

# Tax alert: Change in audited financial statements requirements

The changes brought by the Incentives Act for Small Businesses in Puerto Rico, in connection with the audited financial statements requirement related to the different tax returns that businesses must file in Puerto Rico, became effective for taxable years beginning on or after August 1, 2008. Therefore, the first taxpayers to be affected by the new requirements are those with a taxable year ended July 31, 2009.

Please refer to the table shown below to determine to which returns your business will have to attach audited financial

statements when filing these with the different government agencies. Please notice that the amendment in the laws consists of the annual revenue threshold of the business and it varies by type of return, by type of business entity and if the entity is domestic or foreign.

Owners must also consider circumstances in which the audited financial statements will still be required due to other existing commitments such as with financial institutions, stockholders and major suppliers, among others.

Returns	Volume of business			
	Income	Property	Annual report*	Volume of business (Patente)
<b>Type of entity</b>			(only corporations)	
<b>Domestic partnership or corporations</b>				
Regular corporations	3 million	3 million	3 million	3 million
Corporations with SP election (SE)	500K	3 million	3 million	3 million
Corporations of Individuals (N corps)	500K	3 million	3 million	3 million
<b>Foreign partnerships or corporations</b>				
Regular corporations	1 million	3 million	3 million	3 million
Corporations with SP election (SE)	500K	3 million	3 million	3 million
Corporations of Individuals (N corps)	500K	3 million	3 million	3 million

\*Act 164 of December 16, 2009, added a requirement, effective with the report to be filed on April 15, 2010, of including a balance sheet compiled by a PR Certified Public Accountant to the annual reports for corporations (domestic or foreign) with volume of business 3 million or less.

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