

Outsourcing Alert: Requirement for Christmas bonus payment

Every employee having worked at least 700 hours in the twelve-month period commencing October 1 and ending September 30 is entitled to receive a mandatory Christmas Bonus. For 2016 and subsequent years the bonus is 6% of the employee's wages up to a maximum employee individual wage of \$10,000. Accordingly, the maximum bonus payable will be \$600. In 2016, the bonus must be paid no later than December 15.

In the case of those employers with 15 or less employees the applicable rate is 3% for 2016 and subsequent years.

If the Christmas bonus does not exceed \$600, the employer will not withhold taxes from bonus paid. When the Christmas bonus exceeds \$600 but does not exceed \$1,500, the employer must withhold a 7% tax from the total bonus. If the bonus exceeds \$1,500, the employer may use the applicable withholding rules established on "Employer's Guide".

Nevertheless, the total amount to be paid will not exceed 15% of the annual profits of the employer generated during the same twelve-month period used to determine the eligible employees.

If an employer wants to be exempt from payment of all or part of the bonus because of operating losses, then he must submit a written notification to the Secretary of Labor and Human Resources not later than November 30, 2016, accompanying financial statements for the period from October 1 through September 30, reviewed by a CPA.

If the employer fails to submit the data to support non-payment of the bonus, he becomes liable for the payment of the full bonus.

If the employer does not pay the bonus when due, the employee will be entitled to receive an additional bonus. It can be 50% or 100% of the amount of the bonus, depending on the date paid.

Employers are required to advise terminated employees, who are entitled to the bonus before payment due date, their mailing address to mail the bonus.

Links:
Employer's Guide
http://hacienda.gobierno.pr/sites/default/files/individuos/docs/tablas_retencion_2014.pdf



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October 20, 2016

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