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Tax

Business

Taxpayer

Due date for estimated tax payment

September 9, 2019

Individuals and businesses should remit third estimated tax payment for taxable year 2019 due on September 16. In this alert, we focus in the Optional Tax available for self- employed individuals that derive their income substantially from services under Act 257-2018 and Act 60-2019.

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Optional Computation for self- employed individuals and corporations that provide services

For taxable years commenced after December 31, 2018, Act 257-2018 introduces an Optional Tax for self- employed individuals and corporations that derive their income substantially from services subject to withholding at source. Recently enacted Act 60-2019 adopted the optional tax regime for partnerships and corporations of individuals (will refer to corporctions, partnerships and corporations of individuals as "Entities"). The optional tax will be computed on gross revenue without the benefit of operating expenses or deductions and will not be subject to the agreed upon procedures or compliance attestation reports.

Self- employed individuals and entities can opt for the optional tax annually, if the following three requirements are met:

1. Total gross income is substantially (i.e. at least 80% of its total gross income received during the taxable year) derived from services rendered;
2. Total gross income was reported on informative returns; and
3. Total gross income was subject to withholding at source or estimated tax payment.

The following are the applicable tax rates depending on the amount of gross income.

Self- employed individuals and entities that provide services:	
Earned income	**Tax rate**
Up to $100,000	6%
More than $100,000 but not more than $200,000	10%
More than $200,000 but not more than $300,000	13%
More than $300,000 but not more than $400,000	15%
More than $400,000 but not more than $500,000	17%
More than $500,000	20%

Self- employed individuals and entities with gross income derived substantially from the rendering of services will need to analyze their gross income and deductions for 2019 and prepare pro-forma tax calculations under the regular tax, alternate basic tax ("ABT") or alternative minimum tax ("AMT") and optional tax.

Not remitting the required estimated tax payments may result in penalties or failure to pay the estimated tax and a disqualification from the optional tax regime. We highly recommend to each self- employed individual and entities that provide services to carefully analyze their gross income for 2019 and determine which pro-forma tax calculation will be applicable. We are able and available to assist you on the evaluation of your pro-forma tax calculations for taxable year 2019.

Please contact our Tax Department should you require additional information regarding this or any other tax issue. We will be glad to assist you.



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