



**PUERTO RICO DEPARTMENT OF STATE ANNOUNCES
5-MONTH GRACE PERIOD FOR FILING
PAST DUE ANNUAL REPORTS**

Puerto Rico's General Corporations Law authorizes the Secretary of State to impose a penalty of no less than \$100 and not greater than \$1,000 to corporations that have failed to file their annual reports and pay the filing fee. The penalty for for-profit corporations is currently \$500.00, while the filing fee is \$100.00. In the case of domestic corporations, if they fail to file annual reports during 2 consecutive years, the Secretary of State has the authority to revoke the corporation's certificate of incorporation with prior notification.

A 5-month grace period has been granted by the Department of State, within which corporations that have not filed their annual reports are allowed to file them without a penalty and paying a lower registration fee.

This grace period will be from January 27, 2012 until June 27, 2012. During this period, for-profit corporations will have to pay three times the normal filing fee, that is, \$300 per annual report, but will be exempt from the \$500 mandatory penalty. As a result, total fees and penalties will be reduced from \$600 to \$300 per annual report. Different fees and penalties apply to nonprofit corporations.

To qualify for the grace period, the corporation must appear on the Department of State's online corporate registry and must file all of its annual reports since the formation of the corporation.

The grace period does not apply to corporations that are not required to file annual reports or pay an annual fee, such as banks, cooperatives, financial institutions, churches or religious entities registered as nonprofits. Similarly, corporations that are participating in a payment plan executed before the grace period may not take advantage of the grace period.

This grace period does not apply to annual reports for 2011 that must be filed on or before April 15. Once the grace period is over, the late filing penalties for unfiled annual reports will be reinstalled.

The above summary is intended for information purposes only. It cannot be considered a legal opinion, and it does not intend to consider all the tax and legal considerations that could be relevant to any particular person or entity. It should also be noted that the changes discussed herein were recently enacted, and that the PR Treasury has not yet issued regulations, tax forms or interpretative announcements on such changes.

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