



# Legal Business Forms in PR

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18 de marzo de 2015

Osuna 312

*Iniciativas de Investigación y  
Actividad Creativa Subgraduadas  
iINAS*



# Individual Business

# DBA



# Characteristics (DBA)

- It Has a Sole Owner
- Is the Most Economical Way to Start a Business in PR
- Entity and Owner (Same Identity)
- Less legal structure and Rules apply to this type of Business
- Personal Response from the owner applies to any issues (claims, products, etc.)
- Is Recommended that the owner has separate bank accounts (Personal Income, Business Income)
- Medical Insurance and Social Security can be a downside to this business.
- Owner has to take full responsibility on these business areas.
- Businesses with High Risk should not start as DBA's.



<http://www2.pr.gov/GobiernoEmpresas/RequisitosLegalesContributivos/NegocioIndividual/Pages/NegocioIndividual.aspx>

# Steps to Register (DBA)

<p><u>Hacienda Department</u></p> 	<p><u>Fomento and Exportation Department</u></p>	<p><b>Business Local Permits</b></p>  <p>Oficina de Gerencia de Permisos</p>	<p><u>Municipal Patent</u></p>	<p><b>Employer ID Number/ Department of Labor Account</b></p> 	<p><u>The following Businesses require Special Permits</u></p>
<p><b>Get a “Registro de Comerciante” at the “Hacienda Department”, Fill information to pay required taxes “IVU” (IVU Division)</b></p>	<p>Get Certifications from the Fomento and Exportation Department</p>	<p><b>Fire Department Health Department ARPE</b></p>	<p>* After getting All the Local permits * Get the Municipal Patent for Tax Purposes</p>	<p>If Business will have employee. An Employer ID and Department of Labor Account is needed for tax and employee legal payment to be processed.</p>	<ul style="list-style-type: none"> <li>-Agriculture</li> <li>-Alcoholic - Beverages</li> <li>-Fresh Foods</li> <li>-Health Services</li> <li>-Public Transportation</li> <li>-Adult Games Entertainment Machines</li> </ul>
					
<p><a href="http://www2.pr.gov/GobiernoEmpresas/RequisitosLegalesContributivos/NegocioIndividual/Pages/NegocioIndividual.aspx">http://www2.pr.gov/GobiernoEmpresas/RequisitosLegalesContributivos/NegocioIndividual/Pages/NegocioIndividual.aspx</a></p>					

# Corporations





# What is a Corporation?

“ It is a form of business organization that has a separate legal entity with unlimited life”



<http://www.asesorespr.com/leyes-laborales/estructura-legal-de-la-empresa/>

# General Requirements

- Name of the Corporation - that must include at least one of the following abbreviations: "Inc.", "Incorporated", "Corp.", "Corporation", "Company", or "Co." for purposes of identification and providing uniqueness to the business
- Designated Office
- Nature and purpose of business
- Number and classes of authorized capital stock
- Name and address of each incorporator
- Number and classes of stock



<http://app.estado.gobierno.pr/Formularios/Corporaciones/CORPREG04.pdf>

# Type of Corporations

Law 164 from December 16th, 2009 (the “Corporation Law”) governs the formation, operation and dissolution of Corporations in Puerto Rico.

<http://www.oslpr.org/download/en/2009/A-0164-2009.pdf>



This type of Corporations are specifically organized with the purpose of not earning income but to pursue a social purpose

<http://www.lawforchange.org/NewsBot.asp?MODE=VIEW&ID=3073>

73



While usually they are formed for the purpose of making money and distributing it to its shareholders, there is no reason for not having a social purpose for its mission

<http://www.lawforchange.org/NewsBot.asp?MODE=VIEW&ID=3074>

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They combine certain partnership and corporate characteristics and may be formed with the purpose of making money, pursuing social purposes, or both

<http://www.lawforchange.org/NewsBot.asp?MODE=VIEW&ID=3075>



075





# Corporate Summary Facts

Type of Corporation	<a href="#">Formation and Annual Requisites</a>	Members	<a href="#">Taxes</a>	Liability	<a href="#">Dissolution</a>
<p data-bbox="138 646 323 719"><b>Non-profit Corporation</b></p> 	<p data-bbox="464 646 701 764"><b>\$5</b> Registry Fee with Department of State</p> <p data-bbox="464 776 648 849"><b>\$100</b> Annual State Report</p> <p data-bbox="464 860 611 979"><b>\$20</b> Good Standing Certificate</p>	<p data-bbox="760 646 1010 1157">There is no particular number of members necessary to create the Corporation but its BOD needs to be composed by at least three members (but only 49% of them may be family)</p>	<p data-bbox="1043 646 1318 1203">It is tax exempt but must file Model SC 2645 according to Section 1101.01 of the Code. Cost to file is \$300 if annual income for the past 4 years is \$50,000 or less and \$400 if income is in excess of \$50,000 for the past 4 years</p>	<p data-bbox="1352 646 1602 849">Personal Liability only from “gross negligence” among of any of its members</p> 	<p data-bbox="1661 646 1955 1068">Should follow the procedures set forth in Chapter 9 of Puerto Rico’s General Corporation Law and also turn a certificate of dissolution with <b>\$4</b> to dissolve with Department of State.</p>

# Corporate Summary Facts

Type of Corporation	<a href="#">Formation and Annual Requisites</a>	Members	<a href="#">Taxes</a>	Liability	<a href="#">Dissolution</a>
<p data-bbox="142 716 327 789"><b>For Profit Corporation</b></p> 	<ul style="list-style-type: none"> <li data-bbox="436 716 730 873">- <b>\$100</b> Certificate of Incorporation Fee with the Department of State</li> <li data-bbox="436 889 680 966">- <b>\$150</b> Corporate Annual Report</li> <li data-bbox="436 982 722 1058">- <b>\$15</b> Good Standing Certificate</li> </ul>	<p data-bbox="764 716 989 922">May be created by one or more persons who are known as shareholders</p>	<p data-bbox="1033 716 1344 1317">Pay taxes on income earned at Corporate level but shareholders also pay taxes from their dividends (double tax effect) As of 2014 maximum tax % was 20%. Any Corporation whose Annual Gross Income is \$3 million or more has to submit audited financial statements</p>	<p data-bbox="1377 716 1625 1011">Personal Liability only from “gross negligence” among of any of its members <b><i>limited to their invested capital</i></b></p> 	<p data-bbox="1665 716 1955 1141">Should follow the procedures set forth in Chapter 9 of Puerto Rico’s General Corporation Law and also turn the certificate of dissolution with <b>\$20</b> to dissolve with Department of State</p>

# Corporate Summary Facts

Type of Corporation	<a href="#">Formation and Annual Requisites</a>	Members	<a href="#">Taxes</a>	Liability	<a href="#">Dissolution</a>
<p><b>Limit Liability Corporation</b></p> 	<p><b>-\$250</b> Certificate of Organization  <b>-\$150</b> Annual Fee (no need to submit an Corporate Annual Report)</p>	<p>Members can be constitute by individuals as well as other Corporations</p>	<p>According to Internal Revenue Code are taxed same as a corporation but may elect to be treated as partnership for tax purposes. Earnings are taxed at individual level (because this business functions as a “pass through entity”)</p>	<p>Any liability that may arise is the responsibility of the LLC; members are not personally liable</p> 	<p>Should follow the procedures set forth in Chapter 9 of Puerto Rico’s General Corporation Law and also turn the certificate of dissolution with <b>\$80</b> to dissolve with Department of State</p>

# Professional Services Corporation



# PSC

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- This Corporation is stated under Law Number 164 of December 16th, 2009
- Also known as the “Law of General Corporations”
- Is regulated by the Articles 18.01 and 18.18 of this law
- These Type of Corporations are composed of one or more professionals licensed or authorized by the Commonwealth of PR to provide a service to the public.
- The same service provided by the shareholders need to be the same as the corporation.
- By the Article 18.03 this type of corporation can’t be (de familia, cerrada o “closely held”).
- The most attractive benefit of this corporation is that it limits the personal responsibility and the possibility of paying with any personal assets for any negligent acts committed by any of their subordinates.
- Any shareholder that is not involved in any way with other shareholder or its subordinates negligence will not be affected in case of a claim.
- Examples of Professional Corporations are Accountants, Dentists, Lawyers, etc.

<http://www.oslpr.org/download/en/2009/A-0164-2009.pdf>

# Professional Service Corporation

For Who?	<a href="#">Where is Stated?</a>	Articles of the Law	<a href="#">Benefits</a>	<a href="#">Examples of PSC Professionals</a>
<p>-Corporation composed of one or more professionals licensed or authorized by the Commonwealth of PR to provide a service to the public.</p> <p>-Same Profession</p>	<p>-Law # 164, december 16, 2009</p> <p>-Law of General Corporations</p>	<p>-18.01</p> <p>-18.18</p> <p>-18.03</p>	<p>-Limits personal responsibility of shareholders for negligence</p> <p>-Personal assets can be safe</p>	<p>-Accountants</p> <p>-Dentists</p> <p>-Lawyers</p> <p>-Chiropractors</p> <p>-Architects</p>



# Partnerships



# Partnership

“A partnership is an association in which two or more individuals, corporation or other legal entity agree to manage and operate a business as co-owners, with the intention to participate in the profits generated.”



<http://www2.pr.gov/C>

[ciedadRegular.aspx](http://www2.pr.gov/C/ciedadRegular.aspx)




# General Requirements

According to the "Portal Oficial Del Estado Libre Asociado De Puerto Rico" (2015) to establish a partnership in Puerto Rico it is necessary to meet the following general requirements:

1. Entity record
2. Forms
3. Licenses and permits
4. Employer liability
5. Retention
6. Insurance and business policy manual under applicable laws in Puerto Rico



<http://www2.pr.gov/GobiernoEmpresas/RequisitosLegalesContributivos/Sociedades/Pages/Sociedades.aspx>

TYPE OF PARTNERSHIPS	FORMATION AND ANNUAL REQUISITES	NAME	DISSOLUTION
General Partnership	To form a general partnership under the laws of Puerto Rico, the parties must execute a contract where the partners agree to establish a common fund for the functioning of the partnership.	It should operate under a collective name	<p>Partnerships can be dissolved, upon death, retirement or bankruptcy of any partner, unless otherwise agreed. As a general rule, no member of society can convey their interest without the consent of the other partners. The certificate of dissolution has a cost of \$20.00.</p> 
Limited Partnership	The development of a limited partnership under the laws of Puerto Rico is very similar to that of a general partnership. The social contract is identical to that of the general partnership except that it must identify the regular partners from the limited partners.	The name of the limited partnership should also include "limited partnership"	
Liability Partnerships (LLPs)	The partners must present to the Department of State a certified copy of the partnership agreement or articles of the partnership. This contract should include the name of the LLP, the address of the principal office, the name and address of the promoter, the names and addresses of the partners, and a short description of the type of business that the LLP will dedicate itself to.	The name of the LLP should include the phrase "limited liability partnership."	
Conjugal Partnership	"By the conjugal partnership, the husband and wife will own by half, at dissolution of marriage, the gains or profits by either spouse during the marriage itself."		

<http://www.lawforchange.org/NewsBot.asp?MODE=VIEW&ID=3077>

<http://www.lexjuris.com/LEXLEX%5Clexcodigoc%5Clexsociedaddegananciales.htm>

# Cooperatives



# What is a Cooperative?

- Business Model formed by joint property whose partners are owners.
- Contributes to the economic development of the country creating jobs and improving quality of life sectors.



<http://www2.pr.gov/GobiernoEmpresas/RequisitosLegalesContributivos/Cooperativa/LeyesSectorCooperativo/Pages/LeyesdelSectorCooperativo.aspx>

# Law 50 General Cooperatives Societies Act of August 4 1994

- Financial Sector
- Consumer Sector
- Industrial Sector
- Agroindustrial Sector
- Different Types of Sector
- Transport Sector



**CLICK HERE**  
for more information

<http://www.credicentro.coop/wpcoop/wp-content/uploads/2014/12/076.pdf>

# Some advantages provided by the Cooperative model to create a business are:

1. Emerging to meet common needs.
2. They are exempt from income tax.
3. They have annual monitoring with continuing education.
4. Receive support and technical assistance from the Cooperative Development Commission.



# Cooperative model virtues are:

1. Economic development with native equity
2. Joint Venture.
3. Strong social commitment
4. Free entry and exit
5. Respect for the dignity of man is worth what it is and not for what he has



# How to create a Cooperative?

Once the community or a group of people decides to organize cooperative, proceeds as follows:

1. To request the services of the Cooperative Development Commission



<http://www2.pr.gov/agencias/cdcoop/Pages/Default.aspx>



## Organizational Structure

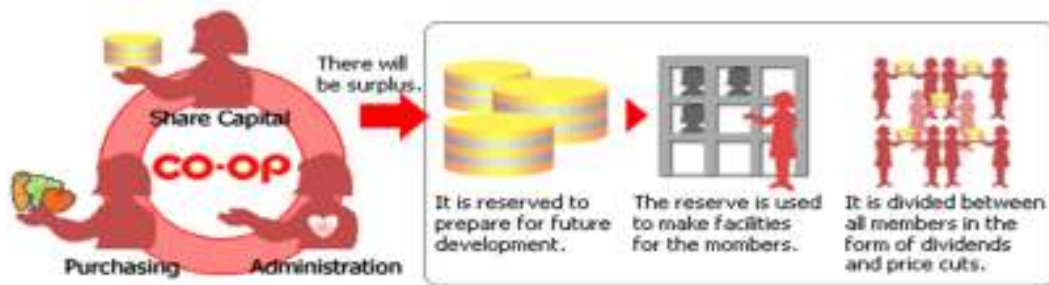
The organizational structure of a cooperative is made by partners, its board of directors, supervisory committee, the education committee, administrator, and employees.

## Values and Principles of Cooperatives

Cooperatives are governed by values and principles: Cooperative Co-Responsibility, Equality

Democracy, Solidarity Equity Cooperative Principles, Voluntary Free admission and Democratic Control

part of the Partners.





Was created in 2008 by Act . 247 on August 10 as a legal entity of the executive branch in Puerto Rico .

## AFFILIATED ENTITIES



# Cooperative Investment Fund Development



Created under the law 198, known as the " Enabling Act for delInversión and Cooperative Development Fund " of August 18, 2002 , as amended.

<http://www.fidecoop.coop/historia.html>



Created by Act . 99 of June 4, 1980

¿QUÉ HACEMOS?

## SUPERVISAMOS

En la Corporación Pública para Supervisión y Seguro de Cooperativas de Puerto Rico (COSSEC) nos preocupamos por la integridad y la fortaleza financiera del Movimiento Cooperativo en la Isla.

Ofrecemos servicios a través de la supervisión y aseguramiento para mantener y fortalecer todos los cooperativistas.

¡Velamos por la integridad y fortaleza financiera del movimiento cooperativo en la Isla!

Propiciamos la agilidad, solidez y competitividad mundial de todas las cooperativas mediante la aplicación de una política pública financiera ágil, moderna y flexible que asegure el balanceo y la equidad entre los intereses de los socios, depositantes y el desarrollo del cooperativismo.

115  
COOPERATIVAS  
DE AHORRO Y  
CRÉDITO

109  
CUCHESALES  
DE AHORRO Y  
CRÉDITO

8.3  
PUNTO  
EN ACTORES EN  
COOPERATIVAS  
DE AHORRO Y  
CRÉDITO

[http://www.cossec.com/cossec\\_new/historia/](http://www.cossec.com/cossec_new/historia/)

# PRIMERPESO.COM



Sobre PrimerPeso ¿Eres una agencia?

## PrimerPeso se encuentra en BETA, apreciamos y agradecemos tus comentarios.

PrimerPeso es un proyecto de Code for America en colaboración con el Gobierno de Puerto Rico. Estamos en BETA con planes de lanzar en Noviembre DE 2014.

Estamos trabajando con las agencias del Gobierno de Puerto Rico que manejan los incentivos que encontraras aquí y mientras estemos en BETA enviamos manualmente las solicitudes a las agencias involucradas. Las agencias, por el momento, no son responsables por el funcionamiento del PrimerPeso.

PrimerPeso es una plataforma para que los pequeños empresarios encuentren y accedan a las oportunidades de financiamiento disponibles.

Estas son algunas de las agencias del Estado Libre Asociado de Puerto Rico que participan en esta primera etapa:



PRIDCO

<http://www.primerpeso.com/about>

**HOW?**

**WHAT**

**?**

**WICH?**



**WHY?**

**WHO?**

**WHERE?**