SBTDTC graduates, 5th group of Baldrige Competitiveness Program

By CB Staff

For five consecutive years, the Puerto Rico Small Business & Technology Development Centers (PR-SBTDTC) has been teaching Baldrige Criteria for Performance Excellence to businesses to help them increase their competitiveness and succeed in a global marketplace. “The Baldrige Competitiveness Program has been a success. The participants are evidence of the efficiency and effectiveness of the criteria’s strategies and operational processes,” said Carmen Matí, executive director of the PR-SBTDTC.

On Oct. 2, 2015, starting at 8:30 a.m., the SBTDTC will be recognizing the 2015 Baldrige participants during an event at Hotel InterContinental in Carolina’s Isla Verde community. At the activity, participants and other Baldrige (P.R.-SBTDC) will network and review with National Malcolm Baldrige Master Examiner Kay Kendal and Quality Texas Foundation CEO, Dr. Mac McGuire, on how high-performance companies exceed results in Customer, Financial, Internal Processes, External Relations, and Workforce, Operations, Governance, and Social Responsibility.

The Baldrige Performance Excellence program included eight, monthly, day-long sessions that focus on a theme within the criteria. Participants are challenged to implement the theme in their own businesses. During the sessions, best practices are discussed, and real-life examples are shared. Small and midsize businesses from 10 states and Puerto Rico have benefited from the successful implementation of the criteria is presented in a hands-on, outcome-oriented form. The program is helping businesses succeed in a global marketplace. “The Baldrige program gave me new knowledge and skills to manage my business, resulting in the development of an integrated strategy to the company’s marketing, sales and service. The P.R.-SBTDTC Network is a cooperative agreement between the U.S. Small Business Administration and Universidad Interamericana de P.R., with special support from the Puerto Rico Industrial Development Co. (PRIDCO). For more than 18 years, the Puerto Rico-SBTDTC has developed and strengthened the island’s small-business community, striving to take ownership to the next level. SBTDTC services include an education component and one-on-one technical counseling assistance through a network of highly qualified, certified business as well as on-site technical-counseling assistance through a network of highly qualified, certified business and technology consultants. The Quality Texas Foundation has an exclusive partnership with the P.R.-SBTDTC, which is authorized by the Alliance for Performance Excellence, National Institute of Standards & Technology (NIST) of the U.S. Department of Commerce and PRIDCO’s support. Since 2011, over 10,000 business professionals participated in the Baldrige program throughout the island. Among those companies who benefited from the program were Hospital Menonita, Productos La Finca, Quisitos Vaca Negra, Productos Monte Adentro, Maximo Solar, Gusatos Café, Mundo Alarmas, Boys & Girls Club, Daotusa, Ganaderos Borreges, Pentaq Manufacturing, Mundo Alarmas, Softito Dolvi Vila, Bananaer Fabre, St. Jude Nursing & Rehab and Paciv Inc. (Process Automation—Control—Instrumentations—Validation).

For more information about the Baldrige program or to register for the Oct. 2, 2015, event, visit www.competitividadglobal.com or call 787-763-5108 or send email to vivacito@probalde.org.

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With the current 11.5% SUT, 10% goes to the central government, 1% to the municipal SUT, and 0.5% goes to debt repayment. With the new B2B tax, 10% will go to the central government and 0.5% to debt repayment, starting April 1, 2016.

Contrary to popular belief, the new B2B—by itself—will not replacing the highly controversial Gross Receipts Tax, or patrónaje nacional, which the government eliminated last year. The patrónaje national was indeed replaced by a grouping of several measures contained in tax reform, in which the B2B tax component is implied. According to Kenneth Rivera, a former president of the Puerto Rico Society of CPAs and partner in local accounting firm FPV & Galindez PC, the implementation of the B2B tax is the second of three phases of tax reform.

“The first phase involved increasing the SUT to 11.5% and, although it’s not double of the previous 7%, it is still a substantial increase nonetheless,” Rivera told CARIBBEAN BUSINESS. “We are now in the second phase of taxing services.” The third phase of the tax reform would be the conversion to a VAT next year.

Rivera explained that B2B transactions don’t fall under the 7% SUT and 10 designated professional services currently paying the 11.5% SUT. These services rendered would be taxed initially at 4% in October, then at 10.5% aggregate rate.

Designated professional services include, but aren’t limited to, the categories of economists, architects and landscape architect, CPAs, brokers, realtors and real-estate companies, professional draftsmen, real-estate appraisers and surveyors. Effective Oct. 1, 2015, designated professional services also include those related to preparing tax returns and financial statements, or those paid by persons duly registered as certified public accountants in the Commonwealth.

Services rendered by suppliers to the Puerto Rico Electric Power Authority and the Puerto Rico Aqueduct & Sewer Authority, or services rendered to residents or associations of condominiums or associations of property owners, including social interest residential-housing projects that receive federal or state rental subsidies, or services rendered to housing cooperatives as organized under Act 239 of 2004.

Every person claiming exemption shall complete and provide Treasury with Form SC 2916 “Certificate for Exempt Purchases (Tangible Personal Property and Exempt Services)” to the merchant that rendered the service to document the exempt nature of the transaction.

Source: Puerto Rico Treasury Department

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Services exempted from SUT, B2B

The following services are exempt from both the SUT a ad B2B taxes:

• Services provided to the Commonwealth of Puerto Rico or the Government of the United States
• Real property leases that constitute the tenant’s primary residence, student housing or commercial lease
• Certain child and elderly care services
• Funeral services up to $4,000
• Export of services, even if the service is rendered in Puerto Rico
• Educational services, including child care
• Interest and other charges for the use of money
• Insurance services and commissions
• Services rendered by a person whose annual volume of business does not exceed $50,000
• Healthcare or medical/hospital services
• Services rendered between members of a controlled group of corporations or related entities, if both the entity that provides the service and the entity that receives the service are engaged in a trade or business for the production or income in Puerto Rico
• Services rendered by suppliers to the Puerto Rico Electric Power Authority and the Puerto Rico Aqueduct & Sewer Authority
• Services rendered to residents of related entities, if both the entity that provides the services and the entity that receives the services’ firm, unless the designated professional firms, when the designated professional is hired as an independent contractor and not as an employee.

In these cases, the designated professional who renders the service shall collect a 4% special SUT, but to the services rendered to other colleagues or designated professional services’ firms, unless the designated professional is exempt from collecting the SUT because it has an aggregate volume of business of $50,000 or less.

Merchants that provide designated professional services must update their Merchant’s Registration Certificate by September 30, 2015, following the guidelines established by Treasury.

“The business transactions that aren’t on the list will now pay a 4% B2B tax beginning Oct. 1, 2015. Meanwhile, those already paying the 7% for professional services rendered will continue to pay it because that’s a tax on income earned. So, in addition to the 7%, they also have to pay the 4% B2B tax, but to the central government,” Rivera said. “This is one issue in which the B2B has brought a lot of confusion.”

No tax credit for B2B

Rivera, a former Society of CPAs president, noted that one of the downsides of the new B2B tax is that unlike the 7% levy on professionals who pay the 7% SUT, the B2B won’t be able to receive credit in it. “Although the SUT remains in effect through March 2016—that’s five months with no credit.”

“The main problem with the B2B tax is that it has a big inflationary impact because businesses will begin paying for services without the ability to take a credit for it. It also carries an additional problem—you have three big tax changes during one single fiscal year, versus only one change when the SUT was first implemented in 2006,” he said. “No transition is perfect and growing pains are going to be part of this reform.”

As a temporary tax, Rivera indicated the B2B would negatively affect business when the island’s economy isn’t at its best, and a new tax will definitely not help to foster economic development, much less job creation.