



Tax



Money



Taxpayer

AD 20-10 Measures to assist taxpayers and merchants affected by COVID-19

March 27, 2020

The Puerto Rico Treasury Department (“PRTD”) issued Administrative Determination 20-10 to implement new measures allowing taxpayers and merchants to comply with their tax responsibilities within a reasonable period of time and to assist with the cash flow due to the emergency caused by Covid-19.

I. Estimated tax payments requirement for individuals and corporations

- no penalties will be imposed if the first and second installments for taxable year 2020 are not made within the time prescribed by law.
- the amount of estimated payments that should have been deposited in the first two installments must be deposited together with the two (2) remaining installments for taxable year 2020.

II. Withholding tax at source on payments for services rendered

- withholding agents are relieved from making income tax withholding on all payments made from March 23 until June 30, 2020. This waiver does not exempt the recipient of such payments from taxation.
- taxpayers that chose the Optional Tax for the taxable year 2020 and obtained a Partial Waiver Certificate – 6% Optional Tax for such year, must ensure that they fulfill their tax liability no later than the last installment due date to pay the estimated tax for taxable year 2020.

III. Sales and use Tax (“SUT”) payment requirement on imports and purchase of taxable items for resale

- PRTD will issue a Temporary Exemption Certificate that will allow resellers to import or purchase taxable items for resale exempt from the payment of SUT.
- this temporary exemption period will begin on April 6, 2020 and will end on June 30, 2020.
- resellers that have their Reseller Certificate active and current will automatically receive the Temporary Exemption Certificate through their SURI account.
- any merchant who purchases taxable items for resale and wants to benefit from the exemption during the Temporary Exemption Period must submit a copy of the Temporary Exemption Certificate together with the Certificate of Exempt Purchases and Services Subject to Special SUT 4% (Form AS 2916.1).

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- in the case of imports, the consignee or importer merchant must report the taxable items imported for resale in Line 3 of the Declaration of Imports (Form AS 2970.1) and of the Tax on Imports Monthly Return (Form AS 2915.1 D), respectively.

IV. Application of refunds and excess payments against other taxes

- the PRTD will allow any taxpayer that has an overpayment and has not requested to apply it to a future tax, to apply it against other taxes according to the rules established soon. This will apply to:
 - income taxes
 - excise taxes
 - taxes on alcoholic beverages
 - credit for payment of SUT on imports of taxable items for resale

V. Agreements of installment payments for taxable year 2019

- taxpayers that are required to file an income tax return for taxable year 2019 and do not have the economic resources to remit the outstanding balance, will be able to request to make installment payments to settle the entire tax liability.
- the installment payment option will only be available to those taxpayers that have not filed a Request for Extension to File the Income Tax Return (Form AS 2644.1).
- taxpayers that requested the installment payment option must commit to pay the tax due in monthly installments and cover the total amount no later than March 31, 2021.

We will continue with our commitment to keep you up to date with these tax-related developments. 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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