

## ADDITIONAL TAX RELIEF TO ADDRESS THE CASH FLOW PROBLEM FACED BY BUSINESSES AND INDIVIDUALS DURING THE COVID-19 EMERGENCY

After the press conference offered by the Governor of Puerto Rico on March 24, 2020 to announce the first economic package to counter the Coronavirus (COVID-19) crisis in Puerto Rico, the Department of Treasury and other tax authorities issued the following guidelines:

### Administrative Determination 20-10 of March 24, 2020 (DA-2010) on Measures to Address Cash Flow for Taxpayers and Merchants before the COVID-19 Emergency

#### A. Sales and Use Tax

**Sales and Use Tax Filing:** The deadline to file the monthly sales and use tax returns for February, March, April and May of 2020, will be the following:

- (i) February- April 20, 2020;
- (ii) March- May 20, 2020;
- (iii) April- June 22, 2020; and
- (iv) May- July 20, 2020.

**Monthly Import Tax Return:** The filing deadline of this tax form and its corresponding payment for March, April and May of 2020 will be the following:

- (i) March- May 10, 2020;
- (ii) April- June 10, 2020; and
- (iii) May- July 10, 2020.

**Biweekly Payments of Sales and Use Tax:** The Department of Treasury will not impose penalties for failing to comply with the Biweekly Sales and Use Tax payments for the months of March, April, May and June of 2020, provided that the total amount due for those months is paid on or before the due date of the Monthly Sales and Use Tax Return.

#### B. Income Tax Returns

**Income Tax Returns that were due on March 15, 2020:** The filing deadline for the Income Tax Returns (or for requesting an extension) without the imposition of interests, surcharges or penalties will be on June 15, 2020.

**Income Tax Returns that were due on April 15, 2020:** The filing deadline for the Income Tax Returns (or for requesting an extension) without the imposition of interests, surcharges or penalties will be on July 15, 2020.



**Income Tax Returns that were due on the 15th of May or June 2020:** The filing deadline for the Income Tax Returns (or for requesting an extension) without the imposition of interests, surcharges or penalties will be on July 15, 2020.

#### C. Informative Declarations

Informative Declarations must be completed through SURI no later than May 15, 2020.

#### D. Guaranties and Sureties ("Bonds") before the Department of Treasury

Any bond that is due between March 15 and April 30, 2020, is automatically extended to May 31, 2020.

#### E. Internal Revenue Licenses

All internal revenue licenses that are due to expire between March 15 and April 30, 2020, are automatically extended to May 31, 2020.

#### F. Estimate Payment Requirement for Corporations and Individuals

No penalties will be imposed for lack or insufficiency of payment of the first and second installment of the estimated taxes for 2020 (ordinarily due on April 15 and June 30, 2020). The amount that should have been deposited in the first and second installment shall be submitted together with the last two terms (2) of the estimated tax of 2020 (due on November and January 15, 2021).

## G. Withholding Income Tax for Services Rendered

Businesses are exempted from the obligation of withholding taxes from service providers for payments made between March 23 and June 30, 2020. Service providers are given the option to continue being subject to the retention made by the withholding agent business. Businesses, on the other hand, will be required to report the payments made to both service providers and to the Department of Treasury.

## H. Sales and Use Tax Payment Requirement on Import and Purchase of Taxable Items for Resale

All merchants holding an active and valid "Reseller Certificate" (issued by the Department of Treasury) will be able to import and acquire taxable property without the corresponding SUT payment from April 6 until July 30, 2020.

Resellers will automatically receive through SURI, a "Temporary Exemption Certificate". The certificate of exemption will allow the reseller to import and acquire taxable items without the payment of SUT. Merchants must submit their distributors the certificate of exemption at the time of the purchase. The certificate of exemption won't exempt merchants from the SUT corresponding to items for personal use.

## I. Application of Tax Refunds and Overpayments Against Other Taxes Administered by the Department of the Treasury

The Department of the Treasury will allow taxpayers with outstanding refunds, credits and overpayments to apply the same to any other taxes of tax, including income tax, sales and use taxes, excise taxes, taxes on alcoholic beverages and payroll taxes.

The Department of the Treasury is expected to issue special rules establishing the process and terms to submit the application for refunds, credits and overpayments payments.

## J. 2019 Income Tax Payment Plans

Taxpayers will be able to benefit from a payment plan for their 2019 tax liability. This benefit will

only be available for taxpayers who are up to date with all tax payments. If benefiting from an installment plan, the taxpayer will not be able to request a time extension for the 2019 tax for and must comply with the tax payments for 2019 no later than on March, 2021.

## "CRIM"-Administrative Order No. 2020-003- Term Extension for the filing of Personal Property Income Tax Form from 2019 in response to the State of Emergency Declared by Coronavirus (COVID-19)

The Administrative Order No. 2020-003, issued on March 26, 2020 by the Municipal Revenue Collection Center ("CRIM", by its Spanish acronym), establishes the following:

### A. Term Extension

The deadline was postponed to August 1st, 2020 for the filing of personal property income tax forms for fiscal year 2019. An automatic extension will be available up to November 2nd, 2020.

### B. Interests, Penalties and Surcharges

No interests, surcharges or penalties will be imposed upon payments made in full, that should be included with the tax form filing or the request for extension, provided that the payments be made on the due date established by the Administrative Order. All taxpayers that submit the total payment when filing the tax form or request for extension are entitled to a 5% discount.

### C. Application for Extension

Requests for extensions must be filed before August 1st, 2020.

As the times we are facing place us under a constantly changing scenario, more detailed information regarding these measures are expected from the Government of Puerto Rico. We will keep you informed of future developments.

Should your company have any questions or interest with respect to these tax reliefs, you may contact the attorneys at Vidal, Nieves & Bauzá, LLC, a corporate lawfirm with a special emphasis in energy and environmental matters, corporate, tax, transactional, real estate and insurance practices.

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