

A person wearing a blue suit jacket is shown from the waist down, adjusting their watch. The watch has a round face and a metal link bracelet. The background is a blurred, light-colored surface.

FPVG Pulse

FEB - MAR 2019

A Definitive Newsletter for Tax and Business
Insight in Puerto Rico, presented by

FPV & GALINDEZ^{LLC}



Russell Bedford
taking you further

Over the last two months, the Puerto Rico Treasury Department (“PRTD”) has issued several publications regarding the 2018 Tax Reform and other related tax matters. We hereby include a summary of some of the publications issued by the PRTD since December 2018.



‘¡Gracias!’

From Our Team To Yours

A big ‘Thank you!’ to our clients, partners and colleagues are in order. 2018 was a year of tremendous growth, as well as an exciting branding campaign, and more amazing things are on the horizon for 2019. We are proud to continue to serve hundreds of clients locally, with the international flare we set forth thanks to our affiliation with Russell Bedford International and their strong, global network.

We are honored by the opportunity to serve you and look forward to keeping you informed through our structured communications and digital expertise. From communication among top management, to the training process of our team members, to the daily interaction with our clients, our deep sense of duty is clear. We pride ourselves in providing quality, timely and responsive service to all our clients.

This modest publication is another testament to that commitment. We hope you enjoy it, keep growing and uphold the positive, hungry viewpoint for the future that sets our local businesses apart, even when faced with tough times. We’ll do the same and always be there to support your vision.

YOUR FPVG TEAM

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Issue Highlights

- Waiver Certificate from Withholding Tax at Source for Services Rendered
- Withholding Tax at Source Changes in Transition to SURJ
- Withholding Tax at Source Deposits Under §1062.01 of the PR Code
- Time Extension for Employee Retention Benefit for Hurricanes Irma and Maria
- 2019 Applicable Limits for Qualified Retirement Plans under §1081.01(a) of the Code
- Changes in the Withholding Tax at Source for Services Rendered Rates and the Waiver Certificate Withholding Tax at Source for Services Rendered
- Automated Clearing House (ACH) Credit File Specifications for SURJ payments
- Moratorium of Payment Plans for Employees of the Federal Government of the United States Affected by the Shutdown
- No Applicability of Penalties, Fines, Interests or Surcharges for Transactions Related to the Additional Taxes Integrated to SURJ
- 2018 Non-Withholding Agents Annual Report Due Date Postponement

Waiver Certificate from Withholding Tax at Source for Services Rendered

On December 4, 2018, the PRTD, issued Internal Revenue Circular Letter Number 18-15, to establish a new procedure for the issuance of Total or Partial Waiver Certificates (“Waiver Certificate”).

- **Automatic Waiver Certificate** – Taxpayers with an active account in the Internal Revenue Unified System or SURI for his Spanish acronym, should automatically receive on SURI the applicable Waiver Certificate for 2019.
- **New Business Waiver Certificate** – New Businesses may request a Waiver Certificate using SURI or by visiting one of the Internal Revenue Offices of the PRTD. A taxpayer is considered a new business when is rendering services in the first three (3) years of operations. Administrative Determination 17-30 provides further details.
- **Total or Partial Waiver Certificate** – Taxpayers who do not receive any of the above-mentioned waiver certificates, may request a Waiver Certificate through SURI, by visiting the PRTD, or by calling the PRTD at (787) 622-0123.

Withholding Tax at Source Changes in Transition to SURI

The PRTD issued Internal Revenue Circular Letter Number 18-17 on December 7, 2018 to inform that after December 10, 2018, all transactions related to withholding taxes at source (i.e. 499R-2, W-2PR, 480s) shall be completed in SURI. The following tax accounts were incorporated in SURI:

- Withholding of Wages (W-2PR, 499 R-3, 499 R-1B);
- Withholding of Non-Residents (480.6C, 480.30), and;
- Withholding on Other Income (480.7 and 480.6 forms).

Furthermore, transactions for tax year 2018 will be registered under the SURI tax account of "Withholding of Other Income". For tax year 2019 and forward, transactions should be completed as follows:

- Professional Services (Payments subject to section 1062.03 of the Puerto Rico Internal Revenue Code of 2011, as amended ("PR Code"));
- IRA Withholdings (Forms 480.7, 480.7B, 480.7B.1);
- Retirement Plan Withholdings (480.7C, 480.7C.1), and;
- Withholding on Other Income (480.6A, 480.6B, 480.6B.1, 480.6D, 480.7A, 480.7D, 480.6EC, 480.6F and 480.6CPT).

The PRTD also establishes some changes regarding Control Number, Electric Filing Confirmation Number, and Deadlines.

- **Control Number** – The Taxpayer will now be responsible for providing the Control Number to the different forms they will be preparing and submitting.
- **Electronic Filing Confirmation Number** – The PRTD will still be responsible for providing this and it will consist of eleven (11) characters.

Deadlines – Due to the processing time of the forms, which may take up to 2 working days, every taxpayer will have 7 calendar days, from the filing due date as determined by the PR Code, to send the duly processed forms to the corresponding payee.

Withholding Tax at Source Deposits Under §1062.01 of the PR Code

On December 10, 2018, the PRTD issued Administrative Determination Number 18-14, to simplify the rules for the deposit of income taxes withheld on wages standardizing them to those established by the IRS and repealing Internal Revenue Circular Letter 07-05 (“CC RI 07-05”). An Employer shall be classified under 3 categories:

Monthly Depositor – New Employers and/or Employers whose aggregate income taxes withheld from July 1 to June 30 of the previous year (“Base Period”), is \$50,000 or less. The deposits shall be made no later than the 15th day of the following month in which the withholding took place.

Bi-Weekly Depositor – Employers whose aggregate income taxes withheld for the Base Period is more than \$50,000. The deposits will be determined as follows:

Payment Date	Deposit Date
Wednesday – Friday	No later than the following Wednesday
Saturday – Tuesday	No later than the following Friday

Exceptions to the Monthly or Biweekly Depositor Rules

Employers with quarterly tax withholdings of \$2,500 or less – The deposit date can be the Quarterly Return due date.

Employers with tax withholdings any day of the period of more than \$100,000 – The deposit date should not be later than the closing time of the next working day.

Depositor Classification – The classification of an Employer as biweekly or monthly depositor will be done in an annual basis, based on the aggregated tax withholdings on wages for the last twelve (12) months ended on June 30 of prior year.

These new rules will apply to payments made after January 1, 2019. Payments made prior to December 31, 2018 will be considered under the rules established by CC RI 07-05.

Time Extension for Employee Retention Benefit for Hurricanes Irma and Maria

The PRTD issued Internal Revenue Circular Letter 18-20 (“IRCL 18-20”) on December 28, 2018, to notify the procedure in which an Eligible Employer may file a claim with the PRTD regarding the benefit requested. Eligible Employers who timely requested the benefit but have yet not receive it, may file a claim with the Department. Likewise, Eligible Employers that understand that the information included in the original benefit application should be adjusted, may amend such application by filing a claim.

The claim can be filed between
January 1, 2019,
and February 28, 2019.

Moreover, on January 11, 2019, the PRTD issued the Informative Bulletin Number 19-01 to extend the due date to file the application of the employee retention benefit until March 31, 2019. Accordingly, the due date to file any claim pursuant to the provisions of the IRCL 18-20 regarding such application was also extended until April 30, 2019.

2019 Applicable Limits for Qualified Retirement Plans under §1081.01(a) of the Code

On December 31, 2018, the PRTD issued Internal Revenue Circular Letter 18-21, to notify the applicable limits to qualified retirement plans for tax year 2019.

For more detail on such limits, please use the following link:

[ACCESS LETTER](#)

Changes in the Withholding Tax at Source for Services Rendered Rates and the Waiver Certificate Withholding Tax at Source for Services Rendered

The PRTD issued Internal Revenue Informative Bulletin Number 18-24 to clarify certain tax amendments incorporated to the PR Code by Act No. 257-2018. As a general rule, every person, natural or juridical, that in the conduct of a trade or business or for the production of income in Puerto Rico, makes a payment to another person for services rendered, shall deduct and withhold income tax on such payments. The amendment by Act No. 257-2018 introduced the following tax changes for 2019:

- Increase in the withholding tax rate from 7% to 10%;
- Increase in partial waiver withholding rate from 3% to 6%;
- Decrease in withholding exemption from the first \$1,500 paid during the year to the first \$500 paid.

Therefore, for tax year 2019, withholding agents must withhold the amount of 6%, regardless of whether the Waiver Certificate provides a withholding tax rate of 3%, and the withholding exemption will only apply to the first \$500 paid during the year.

Moreover, it was informed the PRTD will be issuing new waiver certificates to conform them with the amendments above.

Automated Clearing House (ACH) Credit File Specifications for SURI Payments



The PRTD issued Publication 06-06 on January 29, 2019 to notify taxpayers about the new specifications for ACH Credit payments. With the integration of additional taxes into the SURI system, new payment types will be available through the ACH Credit mechanism.

For more detail, you may access the publication by using the following link:

[ACCESS PUBLICATION](#)

Moratorium of Payment Plans for Employees of the Federal Government of the United States Affected by the Government Closure

The PRTD issued the Internal Revenue Circular Letter Number 19-01 on January 23, 2019, to approve a moratorium on the payment plans with the PRTD for those federal employees affected by the closure of the Federal Government (“Affected Taxpayer”). Accordingly, the Affected Taxpayer will not be required to comply with its payment plan with the PRTD for the period between January 1, 2019 to March 31, 2019 (or until the date of reopening of the Federal Government), whichever occurs the latest (“Moratorium Period”).

Those Affected Taxpayers who receive any notification of interest, surcharges or penalties related to their payment plan during the Moratorium Period shall visit the PRTD to request the elimination of such additions. Automatic debit payments during the Moratorium Period may be also postponed at the request of the Affected Taxpayer.

No applicability of penalties, fines, interests or surcharges for transactions related to the additional taxes integrated to SURI

On January 29, 2019 the PRTD issued the Internal Revenue Informative Bulletin Number 19-02 to waive any penalty, fine, interest or surcharge that may result from the filing or payment of taxes in SURI corresponding to any “Phase 2 Transaction”. This waiver applies if the taxes were due during the period from December 10, 2018 to February 28, 2019. Please note it will apply if the taxpayer completes the corresponding transaction in SURI no later than February 28, 2019.

“Phase 2 Transactions” includes the following: (i) taxes withheld at source, including the filing of the Withholding Statements and Informative Returns; (ii) estate and gift taxes and; (iii) excise taxes, alcoholic beverage taxes and licenses. Accordingly, the above-mentioned waiver will not apply to any sales and use tax transaction lately filed or paid during the above-mentioned period.

Any taxpayer in compliance with the provisions of this bulletin who receives a notification of interest, surcharges, fines or penalties shall visit the PRTD to request the elimination of such additions.

2018 Non-Withholding Agents Annual Report Due Date Postponement

Pursuant to Section 4041.03 of the PR Code, every merchant who is not a withholding agent for sales and use tax (“SUT”) purposes shall send a notice, on or before January 31 of each year, to all Puerto Rico purchasers who acquired merchandised from said non-withholding agent. A copy of such notice (“Annual Report”) shall be filed with the PRTD within thirty (30) days of the delivery of the notice to the purchasers in Puerto Rico.

On January 29, 2019, the PRTD issued the Internal Revenue Informative Bulletin Number 19-03 to postpone the due date of the Annual Report for calendar year 2018 until July 1, 2019. This new due date will apply to both the notice to all purchasers in Puerto Rico and for the filing of the Annual Report with the PRTD.

The PRTD will be issuing a publication to provide more details about the procedure for the filing of these annual reports.

Optional Contribution for Certain Taxpayers

On February 1, 2019 the PRTD issued the Circular Letter of Internal Revenue 19-02 to clarify the requirements to tax the gross income received by the taxpayer from services rendered pursuant to Sections 1021.06 and 1022.07 of the PR Code (“Optional Contribution”). The requirements for this Optional Contribution are the following:

The income received must be **substantially from services rendered**,

1. The term “**substantially from services**” has been defined as at least eighty percent (80%) of the taxpayer total income, comes from services rendered.
2. All income paid during the taxable year must be reported in an informative return, and
3. All income received must be subject to the withholding of the income tax at source, or subject to estimated tax payments.

This Optional Contribution is only available for self-employed individuals and for service corporations. The rates of this Optional Contribution are as follows:

- Gross Income up to \$100,000 – 6%
- Gross Income from \$100,001 - \$200,000 – 10%
- Gross Income from \$200,001 - \$300,000 – 13%
- Gross Income from \$300,001 - \$400,000 – 15%
- Gross Income from \$400,001 - \$500,000 – 17%
- Gross Income in excess of \$500,000 – 20%

2018 Non-Withholding Agents Annual Report Due Date Postponement (cont.)

Flexibilization of the Application Process and Renewal of Internal Revenue Licenses

On February 18, 2019 the PRTD issued the Internal Revenue Informative Bulletin Number 19-05 to streamline and make more flexible the process of application and renewal of Internal Revenue Licenses. Therefore, the PRTD informs that, until **June 30, 2019**, merchants may request, or renew their Licenses in the applicable renewal period, without considering the existence of tax debt for any concept as a requirement for this renewal. Please note, that every merchant must comply with the other requirements established by the Secretary for the application or renewal of Licenses. The moratorium established through this Informative Bulletin will not apply to merchants who have Prior Periods Licenses pending to complete its renewal.

Filing of the 2018 Income Tax Return for Individuals:

On February 18, 2019 the PRTD issued the Circular Letter of Internal Revenue 19-04 to set the rules of the filing process for the 2018 Income Tax Returns for Individuals. As per prior years, the return shall be filed **electronically** no later than **Monday, April 15, 2019**.

There are some exemptions for this requirement of electronic filing, which are similar as the ones last year with some exceptions. For the complete list of exemption of filing electronically please refer to Form 483.2 (Exception to the Electronic File of individuals). Note that if any of the exemptions for the electronic filing applies, the taxpayer must file the Income Tax Return on paper, together with the mentioned Form 483.2.

2018 Non-Withholding Agents Annual Report Due Date Postponement (cont.)

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Consult with the Experts

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We are a member of Russell Bedford International (RBI), a closely-connected global network of independent accountancy and business consultancy firms, established in 1983. We are the exclusive representatives of RBI for Puerto Rico and USVI.

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