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Puerto Rico: Extended due dates for income tax returns, payments (COVID-19)

The Puerto Rico Treasury Department (PRTD) postponed the due dates for filing income tax returns and remitting payments of tax as relief in response to the coronavirus (COVID-19) pandemic.

The PRTD also announced the areas of focus for its tax audits and investigations for 2021.

Income tax, extended due date for individuals and corporations with calendar year-end

The PRTD issued Administrative Determination No. 21-04 (AD 21-04) to postpone the due date for filing income tax returns by taxpayers (calendar, short-year or fiscal year-end) that ordinarily would file their income tax returns no later than April 15. The due date has been postponed to May 17, 2021. Similarly, the due date to pay any balance of tax due with the return has been postponed until May 17, 2021.

Any taxpayer needing additional time to file an income tax return may obtain an automatic six-month extension request that will be valid up to November 17, 2021, if the extension request is filed by May 17, 2021,. The automatic extension request, however, does not extend the time for paying tax, and any balance of tax owed must be paid along with the extension request to avoid the imposition of interest, surcharges, and penalties.

AD 21-04 also postponed the first installment of 2021 estimated tax until June 15, 2021 (that is, the original due date to pay the second installment of estimated tax). Any taxpayer taking advantage of this postponement relief must remit both the first and second installments of estimated tax by June 15, 2021.

Lastly, any individual taxpayers eligible to pay their 2020 income tax in two installments must pay the first installment when filing of the return (that is, no later than May 17, 2021), and the second installment no later than November 17, 2021.

Income tax, extended due date for pass-through entities

The PRTD issued Circular Letter No. 21-07 to extend the due date to file Form 480.2 (EC), *Informative Income Tax Return Pass-Through Entity*, and the corresponding Form 480.6(EC) *Informative to Partners*, for calendar year taxpayers to April 15, 2021 (from March 15, 2021).

For taxpayers with a fiscal year-end, the due date to file the Forms 480.2(EC) and 480.6(EC) will be the last day of the third month following the close of the tax year. For example, a pass-through entity with a tax year ending on March 31, 2021, must file its Forms 480.2(E) and 480.6(EC) for tax year 2020 no later than June 30, 2021 (instead of June 15, 2021).

Taxpayers requiring additional time to file Forms 480.2(EC) and 480.6(EC) may file an automatic six-month extension request. For tax year 2020, the extension as well as Forms 480.2(EC) and 480.6(EC) must be filed electronically through the SURI platform.

Tax topics to be focused on new audit and investigation campaigns

The PRTD released Informative Bulletin No. 21-03 announcing what will be the priority areas of focus for tax audits and investigations.

The PRTD determined that its audit and investigation procedures during the year 2021 will focus on:

- Compliance by entities and individuals with the requirements under the various tax-exemption decrees, including tax concessions granted under Act 22-2012
- Compliance with excise tax declarations and payments relating to motor vehicles, crude oil (petroleum), and partial and finish products derived from crude oil or mixture of hydrocarbons
- Compliance with the collection and remittance of sales and use tax for sales made by electronic means, including but not limited to sales made via the internet
- Compliance with the payment of income taxes and reporting advertising payments paid to persons that use digital media, including but not limited to “influencers” as well as compliance with the payment and reporting of the income tax on “giveaways” and similar compensation received by participation in platforms and digital media
- Compliance with reporting and withholding requirements of tax applicable to the construction industry (including foreign entities)

Any taxpayer with a tax exposure under any of the areas listed above can file a voluntary disclosure with PRTD if filed before being notified by the tax agency that the taxpayer will be subject to an audit or investigation. The taxpayer must contact the Office of Voluntary Disclosure of the Bureau of Fiscal Audit, pursuant to the guidance provided by Administrative Determinations 09-03 and 10-08.

Also, Informative Bulletin No. 21-03 sets out the PRTD strategy as well as measures that the tax agency will perform to determine compliance with the Puerto Rico Internal Revenue Code:

- The PRTD will be collaborating with the U.S. Internal Revenue Service (IRS) and sharing information with the IRS regarding those individuals with tax-exemption decrees issued pursuant to Act 22-2012.
- The IRS will be collaborating with the PRTD by sharing tax information reported at the federal level by taxpayers that are residents of Puerto Rico.
- The PRTD Secretary may prepare an “officio return” using this tax or any other information that may be obtained through testimony or other means.

Extended due date for the 2021-2022 volume of business declaration (municipal license tax)

The Puerto Rico Office of Management and Budget issued Circular Letter No. 008-2021 to postpone the due date to file the 2021-2022 *Volume of Business Declaration* (21-22 VOB) until May 24, 2021. This postponement was allowed as a result of the PRTD announced postponements of the income tax due dates.

The circular letter clarifies that any taxpayer that wants to request an extension of time to file the 21-22 VOB, may do so by submitting an extension request no later than May 24, 2021. Considering that the maximum extension period to be granted is six months, the extended due date to file the 21-22 VOB will be November 24, 2021.

A 5% discount for the license tax is available when the business remits its license tax by a certain date. Those seeking to claim the benefit of the 5% discount will have until May 24, 2021, to submit full payment and thus to claim the benefit of the 5% discount.

For late remittances, the following schedule applies for determining interest and additions to tax on late payments of the 21-22 VOB:

Period	Interest
May 25 to June 23, 2021	5%
June 24 to July 23, 2021	10%
July 24 to August 22, 2021	15%
August 23 to September 21, 2021	20%
September 22 and later	25%

For more information, please contact a KPMG tax professional in Puerto Rico:

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