

Estate planning notes

Puerto Rico gift tax

Lifetime transfer of properties is a consideration to be evaluated as part of your estate planning. One of the principal advantages of lifetime transfers over transfer at death is that gifts allow a donor to transfer while the value of the property is low, allowing future appreciation of the value of property to be transferred free of additional estate or gift tax.

A Puerto Rico gift tax will be imposed based on the fair market value of the property donated less any obligations assumed by the donee as a result of accepting the gift. There are five allowable deductions that are based on the property donated and/or on who is the donee and/or the donor:

- the value of gifts made by a resident of Puerto Rico of property located in Puerto Rico,
- up to a \$5,000 value of gifts made to a disabled child,
- the value of gifts for the education or training of an individual,
- the value of gifts to provide medical care to an individual, and
- the value of certain qualified charitable gifts.

The donor is the person primarily liable for the payment of the Puerto Rico gift tax. However, the recipient may also be held personally liable up to the value of the property received as a result of such gift.

For donors residing in Puerto Rico (including US citizens not born or naturalized in Puerto

Rico), the Puerto Rico gift tax is applicable to gifts of property anywhere in the world.

For donors not residing in Puerto Rico, the Puerto Rico gift tax is only applicable with respect to gifts of property located in Puerto Rico as follows:

- all property located in PR,
- shares of stock issued by a domestic corporation, and
- any other intangible properties physically located in Puerto Rico, except bonds, notes and other obligations issued by the Commonwealth of Puerto Rico or by the municipalities.

An exclusion from the total amount of gifts made during a year is available to a donor with respect to the first \$10,000 donated to each donee. If the property being donated is community property, each owner, separately, may use the \$10,000 exclusion.

The Puerto Rico rates for gift tax and the estate tax are the same, 10% of the taxable amount.

The gift tax return is due on or before January 31 of the year following the year of the gift. A three-month extension to file is available upon request. If the applicant is outside Puerto Rico, then a six month-extension will apply.

If the donor does not file the return, the donee must file the return on or before February 28, of the next year when he/she received the gift.



Contact us

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Through the **Kevane Grant Thornton business and tax application for mobile devices** you will have access to our Alerts, Tax News and other related matters, plus a customized tax calendar for individuals, businesses and other entities, thus providing an excellent tool to manage filing and payment due dates with government agencies in Puerto Rico.

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We can help you understand the complex estate tax rules and create an estate plan with you. We provide sound and practical solutions to minimize the effect of taxes on your estate.

Formalize your wishes in an estate plan. It is an important step that cannot wait.

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