

# Tax Alert: Requirements for the evaluation and approval of payment plans

On December 9, 2015, the Puerto Rico Treasury Department (“PRTD”) issued Internal Revenue Circular Letter No. 15-02-RI (“CL 15-02”), to reiterate the types of tax debts that are not subject to payment plan arrangements, and to establish changes in the evaluation and approval procedures for payment plans.

## Tax Debts Not Subject to Payment Plans:

On CL 15-02, the PRTD reaffirms that it will award no payment plans for tax debts related to:

- Sales and Use Taxes;
- salary and wages;
- professional services subject to the 7% withholding at source;
- withholding at source to Non-residents; and
- royalties, among others.

## Payment Plan Requirements

In order to procure a Payment Plan Agreement (the “Plan” or the “Agreement”) with the PRTD, the taxpayer must comply with the following requirements:

- either visit the nearest Collections office or contact the PRTD’s Call Center at (787) 722-0216. If the taxpayer employs a representative, the corresponding Power

- of Attorney (Form SC 2745) must be duly completed.
- complete Form SC 3506, “Request and Approval of Payment Plan of Tax Debts”, whereby the taxpayer surrenders its right to the statute of limitations on the tax debts included in the Plan until these are paid in full.
- complete Form SC 3325, *Individual’s Balance Sheet Statement*, or Form SC 3326, *Business and Corporate Balance Sheet Statement*, whichever is applicable.
- the Plan must include the total outstanding tax debt. Once said amount is determined and assessed, the Plan will set a monthly amount to be paid on or before the tenth (10<sup>th</sup>) day of each month. The executed Agreement can’t exceed three (3) years. Nonetheless, on exceptional circumstances and with the prior authorization of the Assistant Secretary of Internal Revenue, it may be extended for up to five (5) years.
- the Plan must be signed by both husband and wife if the tax debt included in the plan was incurred as a married couple.
- tax return filings must be kept up to date.
- if the taxpayer is a government employee, a wage garnishment or discount will be required as part of the Agreement.



## Contact us

For assistance in this matter, please contact us via [maria.rivera@pr.gt.com](mailto:maria.rivera@pr.gt.com), [lina.morales@pr.gt.com](mailto:lina.morales@pr.gt.com), [francisco.luis@pr.gt.com](mailto:francisco.luis@pr.gt.com) or [isabel.hernandez@pr.gt.com](mailto:isabel.hernandez@pr.gt.com)



Adding true value means exceeding our clients’ expectations, anticipating their needs and being proactive and innovative in the accounting profession.

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.

Download for free the application. Available for iPhone, Motorola and all tablets.



Follow us on and

**December 15, 2015**

**DISCLAIMER:** This update and its content do not constitute advice. Clients should not act solely on the basis of the material contained in this publication. It is intended for information purposes only and should not be regarded as specific advice. In addition, advice from proper consultant should be obtained prior to taking action on any issue dealt with this update.

© 2015 Kevane Grant Thornton LLP All rights reserved. Kevane Grant Thornton LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another’s acts or omissions. Please visit [www.kevane.com](http://www.kevane.com) for further details.

- the taxpayer agrees to meet any future tax liability, including both prior and subsequent debts that have not been assessed at the time of the execution of the Plan. If the taxpayer is not current in its tax responsibilities, Treasury may annul the Agreement and all of the balance will be due.
- at the execution of the agreement, the taxpayer must pay the required down payment and the balance will be distributed in equal monthly installments throughout the term approved by the PRTD. The taxpayer can make additional contributions to the monthly term and may settle the balance owed at any time. The PRTD will not establish payment plans with a residual payment or "balloon payment" at the end of the term.
- the taxpayer may pay off the balance before the expiration of the established term.
- the payment plan's structure will depend on the individuals, corporations and flow-thru entity's gross income, as well as the amount of the debt.

For CL 15-02 purposes, the term *gross income* will be defined pursuant to Section 1031.01 of Puerto Rico Internal Revenue Code of 2011, as amended (the "Code"), without the benefit of the exemptions under Section 1031.02 nor costs or expenses.

- if the taxpayer has not generated gross income (including members of its controlled group, as such term is defined in the Code), either in the preceding year or in the current year, the debt is taken into account only to determine the parameters of the payment plan.

- taxpayers with a gross income ranging between \$1,000,000 and \$3,000,000 may not establish payment plans for tax debts lower than \$25,000.
- taxpayers with gross income greater than \$3,000,000 may not establish payment plans for tax debts lower than \$50,000.

#### Payment Plan for Individuals whose total determined tax debt does not exceed \$2,000

In those cases, where an Individual's total debt does not exceed \$2,000, the PRTD may allow for a short-term payment plan, under the following terms:

- the individual shall comply with the requirements of this Circular Letter.
- up to 12 months to pay off the balance.
- a 25% down payment of the total balance due.

#### Payment Plan for Individuals with a total determined tax debt exceeding \$2,000 but no greater than \$5,000

- the individual shall comply with the requirements of this Circular Letter.
- up to 24 months to pay off the balance.
- a 25% down payment of the total balance due.

#### Payment Plan for Individuals with a total determined tax debt exceeding \$5,000 but no greater than \$10,000

- the individual shall comply with the requirements of this Circular Letter.
- up to 36 months to pay off the balance.
- a 25% down payment of the total balance due.

**DISCLAIMER:** This update and its content do not constitute advice. Clients should not act solely on the basis of the material contained in this publication. It is intended for information purposes only and should not be regarded as specific advice. In addition, advice from proper consultant should be obtained prior to taking action on any issue dealt with this update.

© 2015 Kevane Grant Thornton LLP All rights reserved.  
 Kevane Grant Thornton LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please visit [www.kevane.com](http://www.kevane.com) for further details.

Payment Plan for Individuals with a total determined tax debt exceeding \$10,000 but no greater than \$100,000

- the individual shall comply with the requirements of this Circular Letter.
- up to 60 months to pay off the balance.
- a 25% down payment of the total balance due.

Payment Plan for Individuals with a total determined tax debt in excess of \$100,000

- the individual shall comply with the requirements of this Circular Letter.
- up to 60 months to pay off the balance.
- a 40% down payment of the total balance due.
- must submit a bond along with Form SC 6019, "*Bond to Secure the Payment of Contributions, Interest and Penalties*", and include the supplemental documents, according to the type of bond presented for approval.
- approval from the Assistant Secretary of Internal Revenue.

Payment Plan for Taxpayers with gross income between \$1,000,000 and \$3,000,000, and a total determined tax debt between \$25,000 and \$50,000

- the taxpayer shall comply with the requirements of this Circular Letter.
- up to 12 months to pay off the balance.
- a 25% down payment of the total balance due.

Payment Plan for Taxpayers with gross income between \$1,000,000 and \$3,000,000, and with a total determined tax debt between \$50,001 and \$100,000

- the taxpayer shall comply with the requirements of this Circular Letter.
- up to 24 months to pay off the balance.
- a 25% down payment of the total balance due.

Payment Plans for Taxpayers with gross income between \$1,000,000 and \$3,000,000, and with a total determined tax debt between \$100,001 and \$500,000

- the taxpayer shall comply with the requirements of this Circular Letter.
- up to 36 months to pay off the balance.
- a 25% down payment of the total balance due.

Payment Plan for Taxpayers with a gross income between \$1,000,000 and \$3,000,000, and with a total determined tax debt in excess of \$500,000

- the taxpayer shall comply with the requirements of this Circular Letter.
- up to 60 months to pay off the balance.
- a 40% down payment of the total balance due.
- must submit a bond along with Form SC 6019, "*Bond to Secure the Payment of Contributions, Interest and Penalties*", and include the supplemental documents, according to the type of bond presented for approval.
- approval from the Assistant Secretary of Internal Revenue.

Payment Plan for Taxpayers with gross income greater than \$3,000,000, and with a total determined tax debt between \$50,001 and \$100,000

- the taxpayer shall comply with the requirements of this Circular Letter.
- up to 12 months to pay off the balance.
- a 25% down payment of the total balance due.

Payment Plan for Taxpayers with gross income greater than \$3,000,000, and with a total determined tax debt between \$100,001 and \$500,000

- the individual shall comply with the requirements of this Circular Letter.
- up to 24 months to pay off the balance.
- a 25% down payment of the total balance due.

Payment Plan for Taxpayers with gross income greater than \$3,000,000, and with a total determined tax debt between \$500,001 and \$1,000,000

- the individual shall comply with the requirements of this Circular letter.
- up to 36 months to pay off the balance.
- a 40% down payment of the total balance due.
- must submit a bond along with Form SC 6019, "*Bond to Secure the Payment of Contributions, Interest and Penalties*", and include the supplemental documents, according to the type of bond presented for approval.
- approval from the Assistant Secretary of Internal Revenue.

Payment Plan of Taxpayers with gross income greater than \$3,000,000, and with a total determined tax debt in excess of \$1,000,000

- the individual shall comply with the requirements of this Circular Letter.
- up to 48 months to pay off the balance.
- a 40% down payment of the total balance due.
- must submit a bond along with Form SC 6019, "*Bond to Secure the Payment of Contributions, Interest and Penalties*", and include the supplemental documents, according to the type of bond presented for approval.
- approval from the Assistant Secretary of Internal Revenue.

The Payment Plan should be kept updated at all times. Otherwise, pursuant to Subtitle F, Chapter 6 of the Code, the PRTD can employ, among others, any of the following payment mechanisms to recover the balance due: (1) require the taxpayer's financial institution to withhold the debt payment from taxpayer's bank accounts; (2) seize and auction the taxpayer's personal and/or real property expeditiously; and/or (3) order the withholding of payments if taxpayer is of supplier of goods and services to the Commonwealth of Puerto Rico.

Moreover, the PRTD will proceed to notify the Credit Bureau of the aforesaid default.

**Please contact our Tax Department should you require additional information regarding this or any other tax issue; we will be glad to assist you.**