

Tax Alert: changes affecting returns e-filing requirements and pass-thru entities

The Puerto Rico Treasury Department (the “PRTD”) has issued Internal Revenue Circular Letter No. 16-06, Internal Revenue Informative Bulletin No. 16-03, and Administrative Determination No. 16-06. All of these deal with various filing aspects for the taxable year 2015.

Internal Revenue Informative Bulletin No. 16-03 (“IB 16-03”)

As noted on our February 21, 2016 Tax Alert, the PRTD issued Circular Letter 16-02 (“CL 16-02”) to signal the **adoption of compulsory electronic filing (“e-filing”) for Individual Income Tax Returns** for taxable years beginning after December 31, 2014 (i.e. 2015) and thereafter. Nonetheless, CL 16-02 identifies certain exceptions from the e-filing requirement that should instead file their tax returns in paper so long as it is accompanied by a duly completed Form 483.20, *Exception to Electronic Filing Individual Income Tax Return*.

Informative Bulletin 16-03 reiterates that tax returns filed in paper by taxpayers that do not fall within any of the exceptions prescribed on CL 16-02, will be deemed as if they were not filed at all. Consequently, the taxpayer will be subject to all of the “failure to file” penalties that are applicable under the 2011 PR Internal Revenue Code (the “Code”), even when these were received and stamped by the PRTD. Moreover, since it is deemed an incorrect filing, the stamped filing date will not be considered valid, and therefore, the taxpayer must perform the appropriate e-filing before

April 15, 2016 to avoid any interest, surcharges and penalties.

Internal Revenue Circular Letter No. 16-06-RI (“CL 16-06”)

Besides CL 16-02, the PRTD has issued a number of circular letters, bulletins and determinations in its effort to facilitate the processing of tax returns and the reductions of the costs associated with their filing, through the implementation of technology. CL 16-06 deals specifically with the application of these filing measures to particular pass-through entities.

On **Tax Policy Informative Bulletin No. 16-04**, the PRTD established that for the 2015 taxable year, **pass-through entities, such as partnerships, special partnerships, corporation of individuals and limited liability companies** that have elected to be taxed as a partnership, will use Informative Declaration 480.6 EC (“Form 480.6 EC”), and that said Form must be filed electronically through the PRTD’s “Hacienda Virtual” portal.

Meanwhile, **Internal Revenue Circular Letter No. 16-04-RI** determined that for taxable years commenced after December 31, 2014, Informative Declarations for **trusts** (Form 480.6 F) and **special employee-owned corporations** (480.6 CPT) must also be filed through the aforementioned “Hacienda Virtual”.



Contact us

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March 28, 2016

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Circular Letter 16-06 clarifies that, while the Informative Declarations for partnerships, special partnerships, corporation of individuals and limited liability companies with pass-through elections, trusts and special employee-owned corporations need to be filed electronically, their corresponding Tax Returns (Forms 480.2 (EC), 480.8 (F) and 480.2 (CPT)) will be filed in paper.

Both Informative Declarations and Tax Returns for the aforementioned entities, whose tax year ends December 31, are due by April 15.



Administrative Determination

No. 16-06 ("AD 16-06")

Previously, under Administrative Determination No. 12-07 ("AD 12-07"), the PRTD authorized **resident partnerships** (i.e. partnerships that are engaged in trade or business in Puerto Rico) to file Form 480.10 (SC), *Partnership Informative Tax Return – Composite*, in order to disclose the distributable share of income, gains, and losses of those partners who were intermediate pass-through entities of said resident partnership. Said Form 480.10 (SC) had to be filed no later than the fifteenth (15th) day of the third (3rd) month after the resident partnership's tax year end.

Meanwhile, Administrative Determination No. 16-02 ("AD 16-02") **bestowed an additional period – up to April 15, 2016** - to file Forms 480.2(EC), 480.8(F), 480.6 EC, 480.6 F and 480.6 CPT **for those Pass-Through Entities whose tax year ended on December 31, 2015**. This Administrative Determination states that *pass-through entities* include all partnerships, special partnerships, corporation of individuals, grantor trusts and special employee-owned corporations.

Taking into consideration the changes brought upon by AD 16-02, AD 16-06 extends the additional period time granted to Pass-Through Entities (i.e. April 15, 2016) for their respective filings, to resident Partnerships for the filing of Form 480.1(SC), along with any Informative Returns (480.6 EC) that need to be filed.

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