

# Tax Alert: A new tax amnesty has been proposed for Puerto Rico

**Senate Bill No. 1655 (“Bill 1655”) filed on May 9, 2016 proposes a new payment incentive plan (“amnesty”) for qualifying debts in Puerto Rico. Currently, this bill is under the consideration of the Treasury Committee of the Puerto Rico Senate.**

## Incentives Plan for the Payment of Tax Liabilities (Amnesty)

Bill 1655 proposes a payment incentive plan to allow taxpayers to pay or settle certain tax liabilities by June 30, 2016, without paying interest, penalties or surcharges.

## Qualifying Debts

The following debts qualify for the program:

- income tax (excluding taxable years commencing after December 31, 2015);
- estate and gift tax;
- excise tax;
- sales and use tax (excluding periods commencing after December 31, 2015);
- income tax withholdings at source (includes periods ended on or before January 1, 2015); and
- any tax assessed on operations covered by Act 7-2009, Act 73-2008, Act 74-2010, Act 83-2010, Act 27-2011 and Act 20-2012.

## Installment plan

Bill 1655 is proposed to allow taxpayers to offset the principal balance of the qualified tax debts without the imposition of the corresponding interest, penalties and

surcharges. It also provides taxpayers the alternative of entering into an installment plan. If such plan exceeds one year, the taxpayer will be subject to interest according to the plan’s length.

Payment plans for a period of over one (1) year will require a down payment of ten (10) percent of the principal amount due. The taxpayer will have the following options to pay the remaining balance:

- payment plan for two (2) years – will be subject to a 3% interest rate
- payment plan for three (3) years – will be subject to a 5% interest rate
- payment plan for four (4) years – will be subject to a 7% interest rate.

In order to qualify for these incentives, taxpayers must complete a form to be issued by the Secretary of the Treasury (“Secretary”) along with the payment of the outstanding tax on or before June 30, 2016, and demonstrate that they are in good standing for taxable years commencing after December 31, 2015. In addition, the taxpayer must submit an account statement reflecting the outstanding debts to be covered by the incentive plan.

Furthermore, taxpayers who in good faith, have applied for or have pending an administrative hearing process or judicial review, or are under an installment payment agreement with respect to the above mentioned tax debts, may also benefit from this new tax incentives payment plan.



## Contact us

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**June 2, 2016**

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Taxpayers that opt for the incentives waive their rights to challenge the amount assessed and covered under the program, as well as any recourse otherwise applicable.

Note: In the cases in which the only debts are fines, surcharges, interest or penalties without there being a principal owed, the Secretary shall have the power to eliminate those debts from taxpayer's record in the Department of Treasury.

We will monitor the development of this new tax bill and keep you updated through our Tax Alerts.

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