

# Outsourcing Alert: Internal Revenue Circular Letter No. 17-02

On February 16, 2017, the Puerto Rico Treasury Department issued the Internal Revenue Circular No. 17-02 to clarify several inquiries from withholding agents and service providers regarding the issuance of waiver certificates in the case of taxpayers who receive payments for services that are not subject to the 7% withholding and on the validity of the Circular Letters 02 -09, 02-10 and 02-13 regarding the requirement to submit an affidavit to the withholding agent in the case of suppliers who receive such payments.

Payments for services included in Section 1062.03 (b) of the Code are not subject to the 7% withholding. For such purposes, the withholding agent should not require the presentation of the waiver certificate. In these cases, the Department reiterates that the person providing the services must submit to the withholding agent a copy of the affidavit. The affidavit must include the following information from the service provider:

- Full name
- Physical and postal address
- Social security number or employer identification number
- A statement that the payment received is not subject to withholding under the provisions of Section 1062.03 (b) of the PR Tax Code.

The affidavit will be valid throughout the calendar year for which it was subscribed and shall relieve the withholding agent of his responsibility to make the withholding at source imposed by Section 1062.03 (a) of the

Code. The withholding agent must retain and keep in his records a copy of the affidavit as evidence of the relay of his responsibility.

The affidavit will also apply to the following payments:

- Payments excluded from the term "services" under the provisions of Section 1062.03 (a) of the Code: insurance premiums; leasing or sale of tangible or real property; printing; the sale of newspapers, magazines and other publications (including advertisements); and the hiring of radio and television time
- Payments for services rendered to a driver of transport company
- Payments for services rendered not subject to retention as established by the Department through administrative determination, circular letter or general newsletter.

Link-Puerto Rico Secretary of the Treasury  
<http://www.hacienda.gobierno.pr/publicaciones/carta-circular-de-rentas-internas-num-17-02>

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