



Tax



Business



Taxpayer

# Puerto Rico Tax authorities embrace digitization

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The digital age is rapidly transforming the relationship between tax authorities and taxpayers. Driven by a desire for steadier revenue streams, greater efficiency and improved compliance in an atmosphere of shrinking resources, tax authorities are increasingly relying on digital means to gather and analyze tax data.

This move towards tax “digitization” is allowing tax authorities, including Puerto Rico, to collect tax data in real time or near real time, and use the information to respond quickly and in targeted ways to perceived compliance risks. Digitization is, in some cases, allowing taxpayer information to be cross-referenced and shared among governments and agencies. Businesses with dated systems or those that are not able to adapt quickly may face increased risk, unexpected costs and compliance challenges to which they are not prepared to respond.

Notwithstanding the above, some disadvantages arise though the electronic filing of tax returns. For example, software glitches and Internet issues can cause unexpected problems for people who file electronically, especially if they wait until the last minute. Tax programs are typically swamped on the last day and could experience system slowdowns or errors. Problems can also happen after filing. As you will see below, software glitches and a massive blackout caused governmental agencies to extend some deadlines of certain tax returns in Puerto Rico.

Considering the real-world effect of technological advances while still reeling from some operational deficiencies resulting from hurricane Maria, various tax authorities in Puerto Rico have instituted changes to their filing requirements to better address these changes.

## Puerto Rico Treasury Department

As a general rule, domestic and foreign corporations that are engaged in a trade or business in Puerto Rico must file a corporate income tax return by **not later** than the 15th day of the four month following the close of the tax year.

Due to the technology-transformation initiative, for 2017 tax year, regular corporations filing Form 480.20 have the option to electronically file their corporate income tax returns through a program certified by the Puerto Rico Treasury Department. These programs can be assessed on the Puerto Rico Treasury Department's website at: [www.hacienda.pr.gov](http://www.hacienda.pr.gov) under Corporate Returns.

Nonetheless, as a result of technical difficulties with its electronic filing system, the Puerto Rico Treasury Department extended the filing due date of this tax return from April 17, 2018 to April 25, 2018. The extended due date also applies to any tax payments that must be paid with the return, or any other payment required to be made by April 17, 2018.

In the event an extension to file was needed, the Puerto Rico Treasury Department issued Administrative Determination No. 18-07 granting all taxpayers who request an automatic extension of time to file the 2017 Income Tax Return a 6-month period, instead of the 3 months provided under the 2011 Puerto Rico Internal Revenue Code, as amended. For taxpayers with a December 31, 2017 year-end, the extension request must have been requested by April 25, 2018.

## Municipal Revenue Collection Center

Generally, Personal Property Tax Returns, as well as the applicable automatic extension request and payment of tax, are due on May 15th of each year. For the taxable year 2017, the Municipal Revenue Collection Center ("CRIM" for its acronym in Spanish), extended both the filing and payment date from May 15, 2018 to May 21, 2018, pursuant to Administrative Order 2018-04, and subsequently to May 23, 2018 based again on communication difficulties.

In addition, businesses with taxable personal property in Puerto Rico must have filed their 2017 personal property return or extension through the CRIM's new electronic platform. Issued on May 3, 2018, Administrative Order 2018-03 requires mandatory electronic filing of the personal property return for all taxpayers, starting with the 2017 taxable year. Through this portal, taxpayers will also have to remit any balance due with the return or the extension, as well as make estimated personal property tax payments.

## Municipalities

The Municipal License Tax Act of 1974, as amended, and its regulations establish that the Volume of Business Declaration ("VOB") is due five business days after April 15 or the date prescribed by the PRTD for the filing of the income tax return.

As a result of the additional time granted by the PRTD for filing the 2017 income tax return, the Puerto Rico Management and Budget Office through Circular Letter No. 154-18 established that the deadline for filing the VOB for Fiscal Year 2018-2018 or the extension applicable request was to be May 2, 2018. Taxpayers interested in receiving the 5% discount off their municipal license taxes must pay the tax by May 2, 2018, when they file their VOB or extension request.

Though not every municipality has jumped into the e-filing bandwagon, San Juan, Carolina and Guaynabo and Fajardo have stepped up their game and have institute online portals for the filing and/or payment of the VOB.

At Kevane we are ready and available to assist you and your business. Please contact María de los A. Rivera, Francisco Luis, Isabel Hernández or Lina Morales for assistance.



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