



Tax



Records



Taxpayer

New procedures and requirements for estate tax in PR

May 31, 2018

Act 76-2017 approved on August 6, 2017 eliminates Puerto Rico Estate and Gift taxes for estates of decedents, whether resident or not dying after December 31, 2017 and for gifts made after December 31, 2017. On May 14, 2018 the Puerto Rico Treasury Department (PRTD) issued Administrative Determination 18-09 (DA 18-09) and released the new Puerto Rico Estate Informative Tax Return. DA 18-09 establishes the procedures for opening deceased's safety deposit boxes in Puerto Rico and clarifies the new rules to obtain the Certificate of Cancellation of Lien over estate's assets (cancellation of lien).

New Estate Informative Tax Return

The new Estate Informative Tax Return (Form SC 2800-C) (the "informative return") must be filed by the administrator of the estate no later than 12 months after the decedent's date of death. The informative return applies for estate of decedents that were resident and non-resident of Puerto Rico. It can be filed personally at any Puerto Rico Treasury Department Collections Office or mailed to:

Bureau of Tax Returns Processing
Estate and Gift Tax Division (Form SC 2800 C)
PO Box 9022503
San Juan, Puerto Rico 00902-2503

Safety deposit box

Safety deposit boxes should not be opened unless an authorized representative of the Puerto Rico Treasury Department is present. DA 18-09 establishes that the administrator of the

estate must first schedule an appointment with the financial institution where the safety deposit box is located. Then, coordinate through email: citaapertura@hacienda.pr.gov, with Puerto Rico Treasury Department, the attendance of a Puerto Rico Treasury Department officer at the opening of said box and witnessing the inventory of the items contained in the same.

The subject line of the email to Puerto Rico Treasury Department must state: "Appointment to open a safety deposit box". In addition, the email must include the decedent's information and details of the appointment with the institution.

Upon completing the inventory, the Puerto Rico Treasury Department Officer will document conclusions in an Act of Opening (Form SC 2655). This document will detail the items found in the safety deposit box and a copy must be included with the decedent's informative return.

Certificate of Cancellation of Lien

The cancellation of lien will only be granted to taxpayers with no tax debts with the Puerto Rico Treasury Department or the Municipal Revenue Collection Center (CRIM) at the date of death. Tax debts also include debts under an active payment plan and, in the case where the deceased owned more than 80% of the stock or participation interest of any corporation, partnership or limited liability company, any debts or payment plans owed by those entities.

Conditional authorization or partial waiver

If the decedent had tax debts, the Puerto Rico Treasury Department may provide a partial waiver to the Estate if the administrator provides a bond, through an insurance company authorized in Puerto Rico, equal to 125% of the total tax debts that have been assessed and are under review at the date of death of the decedent (the "Bond"). For purposes of determining the amount of the Bond, the total of the debts will include: principal, interest, surcharges and penalties.

The partial waiver request should be made with the informative return. The request must include Form SC 6020, Bond to Guarantee the Payment of Debts, duly signed, along with evidence of the tax debts and Bond's documents (payment evidence, evidence of authorization by the Insurance Commissioner to do business in PR).

If the decedent has tax debts and the administrator wishes to sell an asset from the Estate to satisfy the payment of any tax imposed by the Government of Puerto Rico, it may request a partial waiver to the Puerto Rico Treasury Department.

Puerto Rico Treasury Department may grant a partial waiver only if it is determined that the value of the asset intended to be sold equals at least twice the amount of the outstanding debts. In which case, if the partial waiver is requested with the informative return, the asset intended to be sold must be identified on it.

Filing fee

The filing fee for a request of the Certificate of Cancellation of Lien remains at \$25. Same fee will be applicable for the partial waiver or Conditional Authorization requests. However, it will now have to be paid through "Colecturía Virtual".



At Kevane we are ready and available to assist with any issues related to the preparation and filing of the new Estate Informative Tax Return. Please contact our Tax Department team for assistance.



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