



Tax



Business



Taxpayer

COVID – 19: Additional relief measures approved in Puerto Rico

June 15, 2020

On June 14, 2020, the Governor of Puerto Rico signed Act 57-2020, known as the “Complementary Law to Address the Effects of the COVID-19 Emergency on the Puerto Rican Economy” (the Act), which comprises a package of measures to reactivate the economy, support businesses and protect workers.

The Act’s public policy is to adopt economic stimulus programs to prevent a recession and the serious social consequences that can result therefrom due to the impact of the COVID-19 emergency. The Act further looks to rescue different productive sectors of the economy to gradually return to the normal course of business in Puerto Rico. The programs adopted by the Act will remain in effect during the COVID-19 emergency but shall not extend after December 31, 2021.

The Secretary of the Department of Treasury (“Secretary of Treasury”) is designated as the officer responsible for implementing the Act. The Secretary of Treasury has the power to request collaboration from other agencies of the Executive Branch, including the Department of Economic Development and Commerce (“DEDC”), Planning Board, Department of Labor and Human Resources, Office of the Commissioner of Financial Institutions, the Office of Management and Budget, the Department of Consumer Affairs, among others.

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The Department of Treasury shall issue norms, circular letters, rules, and regulations needed to implement the provisions of the Act within 10 business days of its signature.



We have divided the different programs adopted by the Act by topic for ease of reference.

<p>Administrative measures</p>	<p>Program for the Expedite Payment of Government Contractors</p> <p>Departments, agencies, offices, boards, commissions and other dependencies of the Executive Branch and all public corporations and dependencies of the Government of Puerto Rico, excluding the Legislative and Judicial Branch and municipalities (referred to as “Agencies”), are obligated to pay their vendors within the following terms:</p> <ul style="list-style-type: none"> • Receivables accumulated before the enactment of the Act that have been certified by the applicable Agency should be paid within 15 calendar days from the signature of the Act. • All new obligations or receivables accumulated after the enactment of the Act certified by the applicable Agency should be paid within 30 calendar days from its certification. <p>Sworn Statements Exemption</p> <p>On or after April 1, 2020 and until the COVID-19 emergency is over, individuals and businesses are exempted from filing documents notarized by a public notary required by the Puerto Rico Internal Revenue Code, as amended (“PRIRC”) and official pronouncements made by the Department of Treasury. Said documents and information should be filed under penalty of perjury.</p>
<p>Withholding measures</p>	<p>Withholding on professional services</p> <p>From March 23 to June 30, 2020, payments made by a withholding agent for professional services rendered will not be obligated to make the 10% withholding imposed under Section 1062.03 of the PRIRC. The withholding agent will report said payments in the corresponding informative return.</p> <p>Individuals and corporations that wish to be taxed under the optional computation for taxable year 2019 may do so only if the total amount of the income tax liability is satisfied at the due date of the return, without extensions.</p> <p>For taxable year 2020, taxpayers that wish to be taxed under the optional computation should make the corresponding income tax payment no later than the due date of the return, without extensions.</p>

<p>Tax measures</p>	<p>Program for the Carry Back of Net Operating Losses Allows a carry-back period of two years for businesses with a volume of business of \$10 million or less for losses realized as a result of the COVID-19 emergency during 2020. The maximum amount of loss will be \$200,000 and the maximum refund for income tax paid in previous taxable years will be \$50,000.</p> <p>The carryover to subsequent taxable years of losses realized as a result of the COVID-19 emergency during 2020 will not be limited to the 80% of the normal tax net income and will be applied after other losses have been applied.</p> <p>Gross income exclusion and expense deductibility in connection to the Coronavirus Aid, Relief, and Economic Securities (“CARES”) Act and other federal and local subsidies The Act adopts measures to provide tax relief to local individuals and businesses that benefit from federal and local subsidies and economic stimulus. A key law in the United States is the CARES Act, a package of over \$2 trillion in economic relief. The Paycheck Protection Program (“PPP”) of the CARES Act, also available in Puerto Rico, provides small businesses with resources to maintain payroll, hire back employees who may have been laid off, and cover applicable overhead.</p> <p>Pursuant to the Act, taxpayers may exclude from gross income for income tax purposes, including the alternate basic tax or the alternative minimum tax, federal subsidies and other economic stimulus under the CARES Act and other federal and local laws, including reimbursable tax credits and relief provided in the Act. The exclusion includes the debt forgiveness income that results from the forgiveness of PPP loans. On the other hand, taxpayers can deduct expenses paid with the aforementioned subsidies, stimulus and cancelled PPP loan. Said subsidies and stimulus are also excluded from the imposition of the municipal license tax pursuant to the Municipal License Act, as amended.</p> <p>Temporary postponement of the alternative minimum tax of \$500 for taxable year 2019 The alternative minimum tax of \$500 will not be effective for taxable year 2019. Any corporation that has made payment of the \$500 may request a refund from the Department of Treasury. The refund should be issued within 45 days.</p>
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<p>Compliance measures</p>	<p>Temporary postponement of informative declarations For taxable year 2019, informative returns will have to be filed on or before May 31, 2020. This measure had been previously taken administratively by the Secretary of Treasury under Administrative Determination 20-14.</p> <p>Temporary postponement of agreed upon procedures reports (“AUPs”) or Compliance Attestation Report for 2019 For taxable year 2019, taxpayers may claim all the ordinary and necessary expenses of their business without the submittal of an Agreed Upon Procedures Report or a Compliance Attestation Report prepared by a CPA with a license to practice in Puerto Rico.</p> <p>2019 Income tax Returns All taxpayers have an automatic extension to file their 2019 PR income tax return to July 15, 2020. This applies to taxpayers with due dates between March 15 and June 15, 2020. The Act codifies the extensions adopted by Administrative Determination 20-09, and adopts the elimination of the imposition of interest, surcharges and penalties on payments if the returns are filed no later than the new filing due date.</p> <p>The Act also allows taxpayers with economic hardships to apply for a payment plan in connection to the income tax liability. Said taxpayers should not have any debts with Treasury. If the taxpayer pays the income tax due on or before March 31, 2021, the Secretary of Treasury will eliminate interest, surcharges and penalties. The Secretary of Treasury should issue further guidance on this program.</p>
<p>Licenses and Permits</p>	<p>Automatic Extension of Commercial Licenses and Permits The following licenses and permits that expire on or after March 1, 2020 have an automatic extension of 6 months:</p> <ol style="list-style-type: none"> 1. Commercial licenses and bonds required by the PRIRC 2. Licenses and permits issued by the Office of Permits 3. Licenses and permits issued by any other agency, government instrumentality, and municipalities
<p>Incentives</p>	<p>Automatic Compliance Program for Exempt Businesses Grantees under Act 60-2019, known as the Incentives Code of Puerto Rico, or any previous incentives laws (i.e. Act 20-2012 for export services, Act 73-2008 for industrial; Ac 74-2010 for tourism; among others) will be deemed to have complied with the following terms and conditions of their tax exemption grants, when said potential non-compliance is due to the COVID-19 emergency:</p> <ol style="list-style-type: none"> 1. Job creation and retention 2. Gross income or volume of business 3. Investment in machinery and equipment <p>The Act empowers the Secretary of the DEDC to determine terms and conditions of the program through administrative order, circular letter, memorandum, interpretative document, or any other communication of public character.</p>

<p>Sales and Use Tax measures</p>	<p>Temporary exemption on 4% sales and use tax (“SUT”) imposed on business-to-business and designated professional services</p> <p>Business-to-business and designated professional services, generally subject to a 4% SUT, invoiced during April, May and June 2020 will not be subject to the SUT. The Secretary of Treasury may extend the period in 3-month intervals, until the COVID-19 emergency is over, up to December 31, 2021.</p> <p>The Act adopts the extended due dates for the SUT Monthly Return, Tax on Imports Monthly Return, and Semi-monthly payments from AD 20-09, found here.</p> <p>SUT payments on importation and acquisition of taxable items for resale</p> <p>The Secretary of Treasury is authorized to issue a temporary certificate of exemption for the acquisition or importation of taxable items for resale to resellers within the meaning of Section 4010.01(ww) of the PRIRC with an current Reseller’s Certificate. The exempt period is from April 6 through June 30 of 2020.</p>
<p>Additional measures</p>	<p>Nutrition Assistance Program</p> <p>The Secretary of the Department of Family shall request from the US Department of Agriculture that the Nutrition Assistance Program benefits be extended for the purchase of prepared food from restaurants. The Secretary has a period of 10 days of the approval of the Act to complete the request.</p>

We are committed to keep you up to date with all tax-related developments. Please contact our Tax Department should additional information is required regarding this or any other tax issue. We will be glad to assist you.



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