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New incentives for small and medium businesses affected by COVID-19

April 1, 2020

The Department of Economic Development and Commerce of Puerto Rico (“DEDC”) issued Administrative Determination 2020-05 (“AD 2020-05”) with the purpose of establishing the guidelines, processes, and standards for the implementation of the economic incentive for small and medium businesses affected by COVID-19. The following is a summary of AD 2020-05:

On March 28, 2020, the Legislative Assembly approved the Joint Resolution of the House of Representatives 659, which, after the signature of the Governor, was converted into Joint Resolution No. 23-2020 (“JR 23-2020”). The following are various of the main points established by JR 23-2020:

- Section 1 of JR 23-2020 orders the DEDC to provide an incentive for small and medium-sized companies to reactivate the economy.
- for such purposes, Section 1 of JR 23-2020, allocates sixty million dollars (\$60,000,000), charged to the General Fund, which must be transferred by the Department of the Treasury to the DDEC.
- JR 23-2020 authorizes the DEDC and other agencies to establish the processes and rules for the implementation of the incentive, without being subject to the provisions of Law No. 38-2017, as amended, known as the “Uniform Administrative Procedure Act of the Government of Puerto Rico.”

The DEDC issued AD 2020-05 to establish the rules for the economic incentive for small and medium businesses (“PYMES” by its Spanish acronym), according to JR 23-2020.

AD 2020-05 authorizes the disbursement of fifteen hundred dollars (\$1,500) for each small and medium business operating in Puerto Rico as of March 15, 2020, who implemented a total closure of operations applicable to all businesses and merchants (with certain exceptions) in response to the state of emergency due to the imminent arrival of COVID-19.

AD 2020-05 establishes the following requirements in order to qualify for the economic incentive:

- be a PYMES, defined for purposes of AD 2020-05 as those business (either through a legal entity or a business carried out by a natural person) who have fifty (50) employees or less, and have a volume of businesses equal or lower than ten million dollars (\$10,000,000).
- be registered as a merchant in the Unified System of Internal Revenue (“SURI” by its Spanish acronym) of the Puerto Rico Treasury Department (“PRTD”), with a valid Merchant Registration Certificate (Model SC 2918) as of March 15, 2020. In the case of those merchants registered in SURI whose Merchant Registration Certificate was expired as of March 15, 2020, they must

renew it before requesting the incentive and certify that their operations have not ceased.

- in the case of PYMES that are not legal entities, the individual should have not applied for the five hundred dollars (\$500) incentive to self-employed workers established by Circular Letter of Internal Revenue No. 20-21 (CL 20-21) issued by the PRTD on March 26, 2020. – On this regard, the Secretary of Treasury clarified that they will be notifying the DEDC the persons who received the incentive for the self-employed workers (\$500) so they can determine if the applicant will receive a reduce amount of \$1,000 or the total \$1,500 from the DEDC.
- the PYMES must confirm through the electronic application of the DEDC for such purposes, the account and route number of the bank of the applicant where the economic incentive will be received.
- the PYMES must accept all the terms and conditions of the electronic application.
- the DEDC reserves the power to inspect and evaluate the incentives granted under this AD 2020-05 and may recover the amount granted to any merchant who supplied false or incorrect information in its application.

The DEDC will oversee establishing and implementing the process of requesting and disbursing the economic incentive. The application will be online and must be submitted on or before May 1, 2020.

The deposit of the economic incentives will take place once the DEDC receives the transfer of the funds designated for the incentives from the PRTD, and after the validation of the electronic applications to be received. The Finance Division of the DEDC will deposit the economic incentives directly to the bank account of each PYMEs applicant. This process will last while funds are available unless otherwise provided.

We will continue with our commitment to keep you up to date with these tax-related developments. Please contact our Tax Department should you require additional information regarding this or any other tax issue. We will be glad to assist you.



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