



Tax



Audit and compliance



IRS

Puerto Rico Treasury Department and IRS notify Audit and Compliance Campaigns

March 11, 2021

The Puerto Rico Treasury Department and the Internal Revenue Service will investigate and audit certain individuals and entities' tax matters.

On January 27, 2021, the Internal Revenue Service added a new campaign to the list of Large Business and International Active Campaigns: "Puerto Rico Act 22, Individual Investors Act" (Act 22). The purpose of the campaign is to identify Act 22 grant holders who have claimed benefits under Act 22-2012 and do not meet the Federal Internal Revenue Code (IRC) Sec. 937 requirements of Residence and Source Rules Involving Possessions. Moreover, the campaign will address Act 22 grant holders who meet Federal IRC Sec. 937 but are erroneously reporting United States source income as Puerto Rico source income.

On the other hand, the Puerto Rico Treasury Department has identified six major tax matters that will be subject to audit and investigation campaigns by the Tax Audit Bureau and the Intelligence and Tax Fraud Department as notified in Informative Bulletin 21-03. The following tax matters have been identified as priority by Puerto Rico Treasury for the implementation of audits and investigation procedures:

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Collaborated in the preparation of this article.

1. compliance of entities and individuals with the requirements established in their tax exemption grants pursuant to different incentive tax laws and the Puerto Rico Internal Revenue Code, including, but not limited to, tax grants issued pursuant to Act 22-2012.
2. compliance with the declaration and payment of motor vehicle excise taxes.
3. compliance with the declaration and payment of excise taxes on crude oil, partially processed products and finished products derived from oil and any other mixture of hydrocarbons.
4. compliance with the collection and deposit of the Sales and Use Tax on sales made through electronic means, including, but not limited to, sales over the Internet.

5. compliance with the payment of income tax and with the requirement to report payments for ads to people who use digital media or platforms, including, but not limited to "influencers", as well as compliance with the reporting and payment of tax on prizes and giveaways income, and similar compensation received through participations in media or digital platforms.
6. compliance with the reporting and withholding requirements applicable to companies engaged in the construction industry, including foreign companies.

The Puerto Rico Treasury Department and the Internal Revenue Service will exchange information to achieve the purposes of the Puerto Rico Act 22, Individual Investors Act Campaign. Furthermore, the Puerto Rico Treasury will exchange information with the Puerto Rico Department of Labor and Human Resources in connection with suspicious cases of Pandemic Unemployment Assistance (PUA).

A taxpayer can voluntarily disclose a Puerto Rico tax matter before receiving an audit or investigation notice by Puerto Rico Treasury to the Tax Audit Bureau by following Administrative Determinations 09-03 and 10-08.

We have experience assessing compliance with these matters. Please contact our Tax Department should additional information be required regarding this or any other tax issue. We are committed to keeping you up to date with all tax-related developments and we will be glad to assist you.



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