



Tax



Tax Season



Checklist

Do's & don'ts for the 2021 tax season

August 17, 2021

This second tax season during a global pandemic has begun to feel a little like a return to some sense of normalcy for our clients. Each tax season is a learning experience, and we aim to share the most common do's and don'ts to help prepare for next year.

Do

✓ Plan ahead

Get a sense of what your tax liability will look like as early as the end of the tax year. If possible, aim to provide current year figures to calculate your fourth quarter estimated tax payments.

- this can help anticipate any large tax payments that can compromise your business cash flows
- it provides the opportunity to consider timely alternatives that can minimize the tax impact such as purchasing tax credits at a discount or choosing to be taxed under an alternate method such as the Optional Tax, in those applicable cases.

✓ Ask questions

Seek timely advice from your tax advisor on any changes in your operations so you can take informed decisions. For example, telecommuting arrangements can trigger income tax filing and payment requirements in multiple jurisdictions if performing services outside your base jurisdiction. In cases where you have a grant of tax exemption with a job creation commitment, any reduction in workforce should be assessed from a tax grant compliance perspective. Similarly, if you are a recent resident of Puerto Rico pursuant to Section 937-2 of the US federal regulations, with a grant of tax exemption under Act 22-2012 or its analogous provisions under the Incentives Code, you should seek timely advice regarding any change in your personal and professional situation that might impact your status as a bona fide resident of Puerto Rico (i.e. medical situations that require travel outside of Puerto Rico, frequent travels outside of Puerto Rico, change in civil status, and work-related activities outside Puerto Rico, to name a few).

Caroline López, CPA, Esq.
Tax Manager

Madeleine Tubens, CPA, Esq.
Tax Senior

Collaborated in the preparation of this article.

✓ **Request help**

Businesses are subject to monthly, quarterly, biannually, and yearly filings and payments for diverse types of state and local taxes. If it seems you can't keep up with your recurring tax payments or keeping your accounting records up to date to comply with such requirements, consider outsourcing certain accounting and tax services.

✓ **Seek for feedback**

Not sure if you are calculating your tax correctly or fully complying with those tax filings carried out internally? Request check-ups for specific tax areas to validate you are fulfilling your tax responsibilities as required by law. For instance, sales and use tax proves to be a tricky and complex tax to remain compliant for businesses in multiple jurisdictions, so regular check-ups to make sure everything is in order can be of great help.

✓ **Validate**

When it comes to tax advice, no one-size fits all. Do not apply someone else's tax advice to your business or personal situation before confirming its accuracy or applicability with your tax advisor to avoid any unintended tax consequences.

Don't

x **Forget about your foreign holdings**

Make sure you disclose your foreign holdings to your tax advisor as they may hold reporting requirements or have a taxable impact. You may be subject to onerous penalties for failure to disclose such holdings.

x **Overlook your tax accountant's internal deadlines**

To ensure a smooth tax preparation and quality assurance process of your return please provide complete information by your tax preparer's internal deadline. This will allow you to file your return ahead of the tax deadline and will avoid last minute complications for any technical bottlenecks that the tax agencies' tax filing tools often encounter as the due date approaches.

x **Make piece-by-piece submissions**

Providing incomplete financial forms or constantly revising financial drafts can delay the tax preparation process and can make your returns prone to mistakes.

x **Tell only part of the story**

Leaving out relevant facts can affect the outcome of a tax assessment on a transaction. Make sure you provide all relevant details and keep proper documentation to support your claims.



x **Ignore communications from the Tax Agencies**

Forward all notices received by the tax authorities to your tax accountant. Most of these are subject to time sensitive action items and can affect your tax liability in the current year and the year thereafter for carryover items.

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



Lina Morales
Partner Head of Tax
E lina.morales@pr.gt.com



María de los A. Rivera
Tax Partner and IBC Director
E maria.rivera@pr.gt.com



Francisco Luis
Tax Partner
E francisco.luis@pr.gt.com



Isabel Hernández
Tax Partner
E isabel.hernandez@pr.gt.com



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