

THE POWER
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MODIFICATION OF THE AUTOMATIC EXTENSION TERM AND PROCEDURE TO REQUEST THE ABATEMENT OF CERTAIN SURCHARGES AND PENALTIES

Year 2018 Issue #2

On April 10, 2018, the Puerto Rico Treasury Department ("PRTD") issued Administrative Determination No. 18-07 ("AD 18-07") to modify the terms of the automatic extension to file the Income Tax Return ("ITR") provided by the Puerto Rico Internal Revenue Code of 2011, as amended ("PR Code"), and to establish a procedure to request the abatement of surcharges and penalties associated to late income tax payments and failing to pay estimated tax for taxable year 2017, respectively.

I. Modification of the Automatic Extension Term

In general, the PR Code provides for an automatic extension of three months to file the ITR to those taxpayers who submit an Automatic Extension Request (Form SC 2644) on or before the deadline for filing such return. However, AD 18-07 modified the automatic extension term provided by the PR Code and granted a **six-month extension period** to taxpayers who timely file an Automatic Extension Request (i.e., on or before April 17, 2018, for taxpayers with natural tax years).

The new extension period provided under AD 18-06 is applicable to all taxpayers, including those with fiscal taxable years. In the case of taxpayers with natural taxable years who timely filed an Automatic Extension Request, the new deadline for filing the 2017 ITR will be October 17, 2018.

However, pursuant to AD 18-07, the following conditions will apply:

Regular Corporations

The six-month automatic extension provided under AD 18-07 will apply to Regular Corporations that are required to file Form 480.2, **only** if such corporations file their 2017 ITR electronically. Regular Corporations who do not file their ITR electronically, will be subject to the regular three-month extension provided by the PR Code.

As an exception, Regular Corporations who are exempted from the electronic filing requirement established by Internal Revenue Circular Letter No.18-03 ("CC 18-03"), shall benefit from the six-month automatic extension even when they file a paper return.

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Pass-through Entities

Pass-through entities with natural taxable years that submitted an Automatic Extension Request on or before March 15, 2018, will automatically have until September 17, 2018 to file the *Pass-through Entity Informative Income Tax Return* (Form 480.2 EC), and the *Pass-through Entity Informative Return* (Form 480.6 EC).

It is important to highlight that, for taxable year 2017, Individuals and Regular Corporations are required to file the Automatic Extension Request (Form 2644) electronically.

Type of Taxpayer	Extension Filing Due Date	Original Extension Period	New Extension Period
Individuals	April 17, 2018	July 17, 2018	October 17, 2018
Regular Corporations Filing the ITR Electronically	April 17, 2018	July 17, 2018	October 17, 2018
Regular Corporations Filing a Paper ITR	April 17, 2018	July 17, 2018	July 17, 2018
Regular Corporations Exempted from Filing the ITR Electronically under CC 18-03	April 17, 2018	July 17, 2018	October 17, 2018
Pass-through Entities	March 15, 2018	June 15, 2018	September 17, 2018

II. Procedure to Request the Abatement of Surcharges for Late Tax Payment

Taxpayers filing an Automatic Extension Request may request the abatement of applicable surcharges for any unpaid balance due with such extension if: (i) the Automatic Extension Request was timely filed; (ii) the 2017 Return is filed not later than six months from the applicable due date of such return, and (iii) the total amount due, including interest, is paid along with the 2017 ITR. In these cases, the abatement of surcharges must be requested to the PRTD by filing a letter (attachment) with the return, explaining the reasons why the payment was not submitted on time.

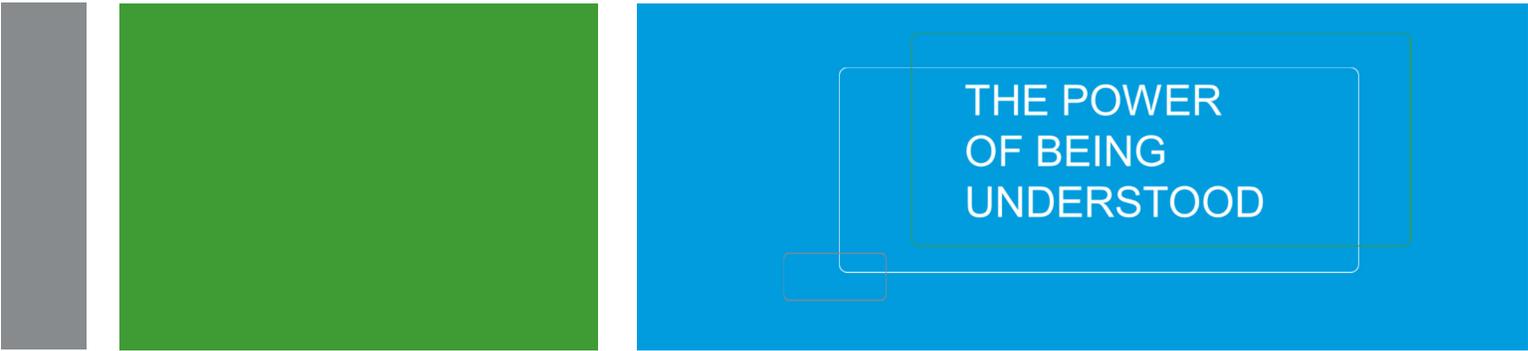
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Taxpayers filing their 2017 ITR on or before April 17, 2018 (or the applicable due date for entities with fiscal taxable years) that are unable to comply with the payment of the total amount owed with said return, may benefit from the abatement of surcharges if the total amount owed is paid within six months from the applicable due date of the ITR. This abatement shall be automatic, and no formal request must be submitted to the PRTD.

Only surcharges are subject to abatement under AD 18-07. Interest on any unpaid balance will continue to apply.

III. Procedure to Request the Abatement of Penalties for Failing to Pay Estimated Tax

AD 18-07 allows the abatement of penalties for failing to pay estimated taxes if the taxpayer: (i) complied with the first two estimated installments, and (ii) pays the total tax owed on or before the corresponding due date for the 2017 ITR, without including extensions.

To request the abatement of penalties for failing to pay estimated tax, the taxpayer must submit a letter accompanied by copy of the duly filed ITR to the following email address: infosac@hacienda.pr.gov, or in person by visiting any Taxpayer Service Center of the PRTD.

At RSM Puerto Rico we are ready to help you with these matters. If you have any questions or comments related to the content of the Tax Alert, please feel free to contact your Tax Advisor at RSM Puerto Rico.

Reminders & Due Dates

- April 17, 2018 – Puerto Rico Individual Income Tax Return
- April 17, 2018 – United States Individual Income Tax Return
- April 17, 2018 – Puerto Rico Corporation Income Tax Return
- April 17, 2018 – United States Corporation Income Tax Return
- April 17, 2018 – Deposit of Income Tax withheld on salaries of those employers classified as monthly depositors
- April 20, 2018 – Monthly Sales & Use Tax Return

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