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## TREASURY DEPARTMENT AUDITS FOR INDIVIDUALS VIA CORRESPONDENCE

Year 2017 Issue #6

Section 6051.02 of the Puerto Rico Internal Revenue Code of 2011, as amended, gives the Secretary the authority to examine any documents deemed pertinent to determine a correction on any return and/or declaration filed with the Puerto Rico Treasury Department ("PRTD"). Pursuant to such authority, the PRTD has issued the Circular Letter of Internal Bureau number 17-12, to explain the commencement of audit procedures for individuals using a simplified method via correspondence.

### Overview

The PRTD will start sending "Information Requirement Letters" through certified mail in those cases where they identified there might be a potential deficiency. Specifically, the PRTD will adjust some income and expense items reported on schedules K, L M and N of Form 482, Puerto Rico Individual Income Tax Return.

### Correspondence Audit Procedure

Once the "Information Requirement Letter" is received, the taxpayer will have the following options:

I. "Agreement and Commitment"

Review the document named "Agreement and Commitment" and select one of the following options:

- Pay in full the deficiency assessed – submit one payment for the full amount of the tax liability calculated by the PRTD, including applicable interests, with a 25% discount.
- Installment agreement – pay under the Taxpayer Rehabilitation Program, as established under Circular Letter of Internal Revenue #17-05 (CL IR #17-05). The taxpayer may benefit from the 25% discount as well, but in addition to interests, surcharges will also apply.

If the taxpayer selects one of the above mentioned options; it will be required to submit a confirmation via email within 30 days of receiving the "Information Requirement Letter".

(Continued)

• Telephone: 787-751-6164

• Fax: 787-751-6865

• Email: [tax@rsm.pr](mailto:tax@rsm.pr)

• Webpage: [www.rsm.pr](http://www.rsm.pr)



## TREASURY DEPARTMENT AUDITS FOR INDIVIDUALS VIA CORRESPONDENCE (CONTINUED)

### II. Follow Audit Procedures

If the taxpayer chooses to follow the audit procedures, he will be required to:

- Complete a document in Excel format, provided by the PRTD, detailing every expense claimed in the return that are subject to the audit requirements. All expenses must be identified by a commercial invoice and the corresponding payment evidence.
- Submit a copy of all commercial invoices and payment evidence.
- The Excel spreadsheet along with all other documents, in PDF format, must be submitted to the PRTD using the following email address: **porpuertorico@hacienda.pr.gov**

The taxpayer will have 30 days to send all the information requested upon the receipt of the "Information Requirement Letter". Please note that the PRTD has the right to request additional information if deemed necessary.

If a tax deficiency is determined after the audit procedure is concluded, the penalty waiver provided by the Taxpayer Rehabilitation Program will not apply. In addition, the taxpayer may be subject to the 10% penalty for underpayment of estimated tax liability as established by Sections 1061.20, 1061.21 and 6041.09 of the Puerto Rico Internal Revenue Code of 2011, as amended.

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 this Tax Alert, please feel free to contact your Tax Advisor at RSM Puerto Rico.