

April 19, 2017

Tax Update

Treasury Establishes Procedure to Notify Tax Credit Holdings

Pursuant to Administrative Order 2017-01, issued on March 7, 2017 by the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AO-2017-01”), the Secretary of the Puerto Rico Treasury Department (“Treasury”) is ordered to make an inventory of the tax credits granted and to require credit holders to report the amount of credits granted, in the form and manner established by the Secretary of the Treasury. For more information in connection with AO-2017-01, you may access our Legal Update of March 8, 2017 [here](#), and our Legal Update of April 4, 2017 [here](#).

On April 12, 2017, Treasury issued Internal Revenue Circular Letter No. 17-07 (“IR CL 17-07”), effective immediately, establishing the procedure that must be followed to electronically submit the information on tax credits granted.

Pursuant to AO-2017-01, Treasury requires that holders of tax credits granted and available for use in taxable year 2016 and subsequent years, complete and electronically file Treasury Form 480.71, “Informative Return for Tax Credits Holders” (“Form 480.71”), no later than May 15, 2017.

Below we summarize the provisions of IR CL 17-07.

Tax Credits to be Included in Form 480.71

All credits granted and not sold by the holder that generated such credit (“Originating Holder”) as of April 19, 2017; and (i) claimed or to be claimed against the Originating Holder’s income tax for taxable year 2016; (ii) available to be claimed against the Originating Holder’s income tax for taxable year 2016 and/or subsequent years; or (iii) available for sale after April 19, 2017, shall be included in Form 480.71. In the case of credits granted that were acquired through purchase, assignment or transfer made as of April 19, 2017, the acquiring holder (“Acquiring Holder”) will include the balance of credits granted that were acquired as of April 19, 2017 and that the Acquiring Holder claimed or will claim against its income tax for taxable year 2016 and/or subsequent years.

Information Required on Form 480.71

The following information should be specified on Form 480.71, in accordance with the rules established above and the type of holder, as applicable:

Originating Holder

- Act under which the credit was generated;



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- Total amount of the original credit generated;
- Total amount of the original credit generated that was sold as of April 19, 2017 and/or claimed by the Originating Holder in its income tax return corresponding to taxable years before taxable year 2016; and
- Total amount of the original credit generated that was claimed or will be claimed by the Originating Holder in its income tax return for taxable year 2016.

Acquiring Holder

- Act under which the credit was acquired;
- Balance of the credit acquired as of April 19, 2017 that was claimed or is available to be claimed in its income tax return for taxable year 2016 and/or subsequent years; and
- Amount the credit acquired as of April 19, 2017 that was claimed or will be claimed in its income tax return for taxable year 2016.

Treasury may require copy of the documents evidencing the granting and approval of the tax credits reported on Form 480.71.

Procedure for Filing Form 480.71

Form 480.71 must be completed and filed exclusively through the electronic system established by Treasury (“System”). The System is available on Treasury’s website: www.hacienda.pr.gov, in the *Colecturía Virtual’s* area, under the link “Form 480.71 – “Informative Return for Tax Credits Holders,” located in the online services section.

The deadline for the electronic filing of Form 480.71 is May 15, 2017. Forms filed before the deadline may be amended at any time up to that date. Once filed, the System will provide a confirmation document that will constitute evidence that the taxpayer has complied with the requirement of reporting tax credits.

Credit holders that do not comply with the requirement of electronically filing Form 480.71, will be deprived from their right to sell or claim the credit in their income tax return for taxable year 2016 and subsequent taxable years.

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