

June 15, 2020

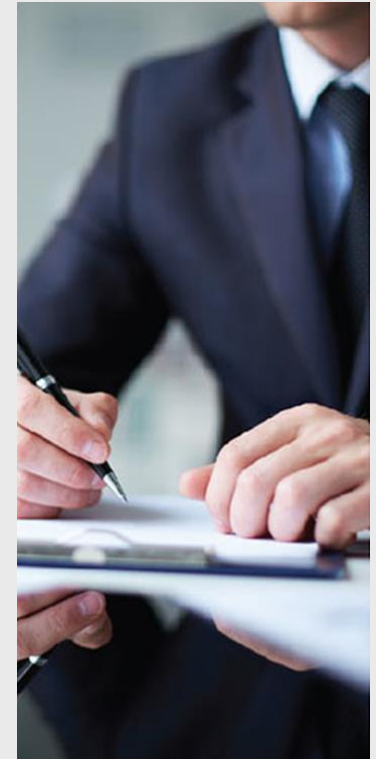
Tax Update

Complimentary Act Addressing Economic Impacts Caused by COVID-19

On June 14, 2020, the Governor of Puerto Rico signed into law House Bill No. 2468 ("PC 2468"), known as the Complimentary Act Addressing Economic Impacts Caused by COVID-19 ("Complimentary Act").

Pursuant to the provisions of the Complimentary Act, the following measures came into effect immediately and will continue in effect through December 31, 2021, at latest:

1. A 15-day period for expedited payments of amounts due to Government service providers and a 30-day period for new obligations.
2. Allowance of a 2-year net operating loss ("NOL") carry back up to \$200,000 for businesses with volumes of business of \$10 million or less. Refunds for taxes paid in the 2 prior years as a result of the NOL carry back will be limited to \$50,000. No carryback is allowed for "Large Taxpayers", as defined under Section 1010.01(a)(35) of the Puerto Rico Internal Revenue Code of 2011, as amended ("Code").
3. After carrying back and claiming the NOL for the 2 prior taxable years, no limitation will be imposed on NOL carry forward.
4. Temporary sales and use tax ("SUT") exemption for services rendered between businesses and for designated professional services for the months of April through June 2020, both inclusive. The Secretary of Treasury is authorized to extend the SUT exemption for additional periods of 3 months each, for the duration of the COVID-19 emergency.
5. Extension to file informative returns with the Puerto Rico Treasury Department ("Treasury") until May 31, 2020, for taxable years beginning after December 31, 2018 and before January 1, 2020.
6. The filing of compliance reports and/or agreed upon procedures reports are left without effect for taxable years beginning after December 31, 2018 and before January 1, 2020.
7. A 6-month automatic extension on commercial activity licenses issued under the Code expiring as of March 1, 2020.
8. The \$500 minimum tentative tax imposed to corporations, for tax years beginning after December 31, 2018 and before January 1, 2020, is left without effect.



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9. Exclusion from gross income and volume of business for all state and federal subsidies, grants, financial assistance, cancellation of debt or tax credit received in relation to the COVID-19 emergency or the CARES Act. Taxpayers may claim deduction for ordinary and necessary expenses incurred in its business operations, even if paid with said funds.
10. Automatic compliance with requirements of grants issued under the Incentives Code or prior tax incentives laws for taxable year 2020, if a possible non-compliance is directly due to the COVID-19 emergency, strictly in relation to: i) the creation and retention of employment, ii) gross income or volume of sales, and/or ii) investment in machinery and equipment.
11. Extension for the filing of 2019 income tax returns and income tax payments until July 15, 2020 for returns originally due between March 15, 2020 and June 15, 2020. No interests, surcharges or penalties will be imposed if filed by the extended due date.
12. Due dates for filing monthly SUT returns due for February, March, April, and May 2020 will be extended until April 20, 2020, May 20, 2020, June 20, 2020, and July 20, 2020, respectively. No penalties will be imposed for non-compliance with bi-weekly SUT payments for the months of March, April, May, and June 2020, if the total SUT due is paid at the time of filing the monthly SUT returns for said periods.
13. Due dates for filing monthly import returns due for March, April, and May 2020 will be extended until May 10, 2020, June 10, 2020, and July 10, 2020, respectively.
14. The Secretary of Treasury will be authorized to issue temporary SUT exemption certificates to certified resellers covering the period of April 6, 2020 through June 30, 2020 for imports and acquisition of taxable items for resale.
15. Income tax withholding waiver on payments made for professional services or contractors for the period of March 23, 2020 through June 30, 2020. Taxpayers will still be subject to income taxes on payments received during the period of the waiver. Withholding agents shall include in an informative return all payments made during the period in which the waiver is in effect.
16. The Secretary of the Department of Family Affairs shall file a request to the United States Agricultural Department for authorization in order to allow the Nutritional Assistance Program ("PAN") recipients to use the PAN card for payment of prepared foods in restaurants.

The Complimentary Act further authorizes the Secretary of Treasury to issue rules, circular letters and regulations, as necessary, without being subject to the requirements of the Uniform Administrative Procedure Act of the Government of Puerto Rico, which shall enter into effect no later than 10 days after the approval of the Complementary Act.

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