

March 30, 2020

Legal Update – Tax

Cash Flow Relief Measures for Merchants and Taxpayers Amid Covid-19 Emergency

On March 24, 2020 the Puerto Rico Treasury Department (“Treasury”) issued [Administrative Determination No. 20-10](#) (“DA 20-10”) establishing certain measures in order to provide cash flow relief (“Relief Measures”) to taxpayers and merchants affected by the COVID-19 emergency, as declared under Executive Order No. 2020-020. Relief Measures include:

1. The inapplicability of penalties for insufficiency or failure to pay individual or corporate estimated income taxes attributable to the first and second installments of taxable year 2020, by the applicable due date under the Puerto Rico Internal Revenue Code (“Code”). The amounts due on these first two installments must be paid as part of the two remaining installments of taxable year 2020, on the dates prescribed under the Code.
2. A temporary waiver for withholding agents in relation to withholding income taxes at source on payments for services rendered between March 23, 2020 and June 30, 2020. This waiver applies in addition to any other waiver already in place. The service provider shall, however, include in its income tax return the service payments received during such period and may request that the withholding agent continue withholding.
3. A temporary sales and use tax (“SUT”) exemption on imports and purchases of taxable items for resale. The temporary SUT exemption will be available to certified merchant resellers. For such purposes, Treasury will automatically issue Certificates of Temporary Exemption to said merchants through their Unified Internal Revenue System (“SURI” for its Spanish acronym) accounts, covering the period starting on April 6, 2020 and ending on June 30, 2020.
4. The availability to offset requested tax refunds and overpayments against other types of taxes administered by Treasury, including income tax, excise tax, SUT, and payroll taxes, subject to certain limitations.
5. The availability of a monthly installment payment plan for pending income tax payments related to the 2019 taxable year. In order to qualify for this payment plan, taxpayers must be up to date on all other taxes administered by Treasury and must have not filed an application for an extension to file the 2019 income tax return. Guidelines on terms and conditions, as well as the payment plan application process, will be provided by Treasury in a separate pronouncement.



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