

October 8, 2019

Tax Update

New Filings Through OITE's Single Business Portal

On July 2018, the Department of Economic Development and Commerce of Puerto Rico ("DDEC" for its Spanish acronym) initiated the implementation of the Single Business Portal ("SBP") as a digital tool for the integration of permits and incentives administered by the DDEC. The SBP is aimed at facilitating business in Puerto Rico and procedural transparency. On April 5, 2019, the DDEC completed the second phase of transition to the SBP.

The Office of Business Incentives of Puerto Rico ("Office of Incentives"), formerly known as the Office of Industrial Tax Exemption ("OITE"), has issued Informative Bulletins No. 2019-01 (BI-2019-01) and 2019-02 (BI-2019-02) in order to provide an overview of the changes regarding tax exemption applications and procedures, particularly to inform about specific filings available through the SBP.

- I. **Annual Report filings pursuant to Act 20-2012, Export Services Act ("Act 20"); Act 22-2012, Individual Investors Act ("Act 22"); Act 8-1987, Puerto Rico Tax Incentives Act ("Act 8"); Act 135-1997, Tax Incentives Act of 1998 ("Act 135"); Act 73-2008, Economic Incentives Act for the Development of Puerto Rico ("Act 73"); Act 83-2010, Green Energy Tax Incentives Act ("Act 83"); and Section 5023.04 of the Puerto Rico Internal Revenue Code of 2011, as amended ("Code"), known as the Brewery Exemption.**

Annual Reports pursuant to Act 20 and Act 22 may be filed through the SBP since April 5, 2019. Starting October 2, 2019, Annual Reports pursuant to Act 8, Act 135, Act 73, and Act 83 may also be filed through the SBP. Nonetheless, Grantees have until October 31, 2019 to finish filings commenced through the former platform. After such date, all Annual Reports previously mentioned shall be filed through the SPB.

Annual Reports for the Brewery Exemption are now required beginning with taxable year 2019 and shall also be filed through the SPB.

In accordance with BI-19-02, amendments to Annual Reports originally filed through the SBP may now be filed, and the corresponding filing fees paid, through the SPB. Annual Reports filed through the former platform are still subject to the physical filing of a sworn statement before the Office of Incentives.

- II. **Transactions Previously Subject to Physical Filing Before the OITE**

The following applications for tax exemption may now be submitted through the SBP:

- a. Certificate of Brewery Exemption.



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- b. Exemption for the leasing of property and/or machinery for use under Act 83.
- c. Exemption for the leasing of property and/or machinery for use in Industrial Development under Act 73.
- d. Grant extensions under Section 8(C) of Act 135.
- e. Exemption under Act 75-1995, known as the Special Act for the Rehabilitation of Rio Piedras (“Act 75”).
- f. Grant extension under Section 3(j) of Act 8.
- g. Exemption under Act 126-1966, known as the Sea Shipping Transport Act (“Act 126”).

BI-2019-01 further provides that applicants and grantees shall now be able to engage in the following transactions through the SBP:

1. Select the appropriate tax incentive,
2. Download the application,
3. Upload the completed sworn application with its attachments, and
4. Pay online the appropriate filing fee.

Pursuant to BI-2019-02, beginning October 2, 2019, the following actions shall be performed through the SPB, regardless of whether the original filing was made physically before OITE or through the SBP:

1. Notification of date of residence under Act 22,
2. Notification of commencement of operations under Act 73, Act 83, and Act 20,
3. Unconditional acceptance of grants and amendments pursuant to the laws administered by the Office of Incentives,
4. Voluntary surrender of grants,
5. Request for certification of status of applications for grants or amendments,
6. Request for grant compliance certifications,
7. Opposition (i.e., disagreement with a determination from the Office of Incentives),
8. Grant conversion, and
9. Flexible tax exemption election under Act 8, Act 135, Act 73, and Act 83.

Documentation related to the preceding transactions may be physically filed and paid before the Office of Incentives until October 31, 2019. Thereafter, filings shall only be accepted through the SBP.

III. Applications for Amendment of Grants of Tax Exemption and Notifications of Transfers of Ownership Interests

Beginning April 5, 2019, Grantees were instructed to use the SBP to file amendments to grants of tax exemption, amendments to pending applications, and notifications of transfers of ownership interests under Acts 126, Act 8, Act 75, Act 135, Act 73, Act 83, Act 20, Act 22, Act 273-212, known as the International Financial Center Regulatory Act and Act 14-2017, known as the Tax Incentives Act for the Retention and Return of Medical Professionals.

IV. Final Remarks

As provided in BI-2019-01 and BI-2019-02, in order to make filings through the SBP, grantees must have a profile created in the SBP or create one for such purposes. Grantees that have previously applied for a grant or permits using the SBP, already have a profile.

Sworn applications for grants of tax exemption under Act 73 and Act 83 are still subject to physical filing before the Office of Incentives and to the payment of the corresponding filing fees through manager's check or money order payable to the order of the Secretary of the Treasury.

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