



Electronic Filing of Income Tax Returns: The Puerto Rico Treasury Department Issues Guidance Related to Corporations, Individuals and Extensions

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In this issue, we will discuss recent communications issued by the Puerto Rico Treasury Department (“PRTD”) about the electronic filing of the individual and corporate income tax returns for taxable year 2017.

Circular Letter of Internal Revenue 18-02 – Electronic Filing of Individual Income Tax Returns

Since taxable year 2015, most individuals are required to file their individual income tax return by electronic means, and taxable year 2017 is no exception. On March 5, 2018, the PRTD issued Circular Letter of Internal Revenue 18-02 (“CL 18-02”), which provides guidance on the electronic filing requirement for taxable year 2017 and the procedures to be followed to comply with such requirements.

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to qualify under one of the exceptions thereof, even though it was received and stamped, and consequently, may be subject to the failure to file penalty applicable under the Code.

Circular Letter of Internal Revenue 18-03 – Electronic Filing of Corporate Income Tax Returns

This will be a game changer. On March 8, 2018, the PRTD issued Circular Letter of Internal Revenue 18-03, with the purpose of establishing the procedures to file the Corporation Income Tax Return (Form 480.2) for the taxable year 2017, by electronic means.

Yes, you are reading right! The PRTD will be offering, for the first time, the option to voluntarily file the Corporation Income Tax Return electronically. If you decide to file the income tax return electronically, they will need to be prepared and filed through one of the programs certified by the PRTD.

Taxpayers who electronically file the Corporation Income Tax Return will be issued, at the end of the process, an electronic filing confirmation. If the electronic filing confirmation indicates that the return requires evidence to be submitted, you must access the PRTD Electronic Forms System (“E-Forms System”) to electronically file all the required evidences. The E-Forms System should show you a list of all the evidences required for the corresponding return and it will allow to electronically file the required evidences until the day after the due date of the return, including extensions, or until the day after the return is filed (in those cases in which the taxpayer files the return after the due date).

Not all taxpayers will have the option to file the corporation income tax return by electronic means, the PRTD has established the following situations in which the corporation income tax return can only be filed on paper format for the taxable year 2017:

- Foreign corporations not engaged in trade or business in Puerto Rico that will only report on their corporation income tax return the sale of real property located in Puerto Rico after

December 31, 2017, and request the Secretary of Treasury’s authorization for the refund of the amount withheld;

- Foreign corporations required to submit Schedule U (“Net Income Attributable to Puerto Rico Sources Pursuant to Section 1123(f) of the Puerto Rico Internal Revenue Code of 1994, as amended”) together with the corporation income tax return;
- Corporations that are liquidated prior to the end of their taxable year; and
- Corporations that are required to include Schedules Q and QI with their income tax return.

In those cases where the taxpayer pays a Tax Specialist for the preparation and filing of the return, the Specialist must obtain a written authorization from the taxpayer to digitally sign, on the taxpayer’s behalf, the return. For these purposes, the PRTD issued Form AS 2909.1A, Tax Return Specialists Authorization for the Electronic Filing and Digital Signature of the Corporation Income Tax Return.

Form AS 2909.1A
GOVERNMENT OF PUERTO RICO
DEPARTMENT OF THE TREASURY
TAX RETURN SPECIALISTS AUTHORIZATION FOR THE ELECTRONIC FILING AND DIGITAL SIGNATURE OF THE CORPORATION INCOME TAX RETURN

Section 1011.02 of the Puerto Rico Internal Revenue Code of 2011, as amended, establishes the obligation to file a Corporation Income Tax Return and states it to be authorized by digital signature. The taxpayer who wishes to appoint a Tax Return Specialist, Statements or Return Clerk's Assistant (Specialist) to sign the return in digital form on his/her behalf shall complete this form and provide it to the Specialist along with copy of the other's license or passport or the (i) present, sole president or other principal officer of the corporation and of the taxpayer, accountant/treasurer or other principal financial officer, or (ii) of the agent.

Part I - Taxpayer's Information

Specialist's name		Employer identification number
Address	Email Address	Telephone

Part II - Corporate Income Tax Return Information

1. Taxable Year	
2. Net Income (or loss) (Page 2, Part II, line 23 of the return)	\$
3. Total Tax Liability (Page 2, Part II, line 24 of the return)	\$
4. Other Payments and Withholdings (Page 2, Part II, line 25 of the return)	\$
5. Amount to be Refunded (Page 1, line 10 of the return)	\$
6. Balance of Tax Due (Page 1, line 4 of the return)	\$

Part III - Designated Specialist

Specialist's name (Print)	Social Security Number or Employer identification number	
Firm's name	Registration Number	
Postal Address	Email Address	Telephone

Authorized Acts - The Specialist is authorized to file by electronic means and sign using the digital signature the taxpayer's Corporation Income Tax Return for the taxable year _____.

Part IV - Taxpayer's Signature

We hereby declare under penalty of perjury that we have examined the electronic copy of the Corporation Income Tax Return, schedules and other documents attached to it for the taxable year _____ and it is true, correct and complete. We hereby declare that the amounts reported in Part II, as shown above, are the same as the ones included in the electronic copy of the Corporation Income Tax Return. We authorize the Specialist to file, by electronic means and sign using the digital signature, the Corporation Income Tax Return for the taxable year indicated above in this Authorization.

President or sole president's name (Print)	President or sole president's signature	Date
Treasurer or accountant/treasurer's name (Print)	Treasurer or accountant/treasurer's signature	Date
Agent's name (Print)	Agent's signature	Date

This Authorization will not be valid if it is not signed and dated.
Revision Period: Jan (17) years.

Form AS 2909.1A includes certain information of the corporation income tax return where the taxpayer certifies that he/she examined the return and that the same is true, correct and complete. It should be noted that Form AS 2909.1A will not be part of the corporation income tax return that the Specialist will file electronically. However, the Specialist

must keep Form AS 2909.1A for a minimum term of 10 years for each taxpayer whose return the Specialist filed electronically and signed in digital manner. Furthermore, the Specialist must keep a copy of the driver's license or passport of the officers or agents signing Form AS 2909.1A.

Finally, CL 18-03 also provides guidance for amended corporation income tax returns. CL 18-03 provides that taxpayers who wish to amend their Corporation Income Tax Return (“Original Return”), may do so electronically, regardless of how the Original Return has been filed. If the Amended Corporation Income Tax Return is electronically filed, the taxpayer must make sure to submit all the evidence, including those sent electronically with the Original Return, through the E-Forms System.

ATBA Comments

The electronic filing of the corporation income tax return was long overdue. We expect it will simplify the interaction between the PRTD and the taxpayers, accelerating the processing of such returns on the PRTD’s system, facilitating the compliance with the tax returns filing requirements and providing additional payment methods. This will also streamline the signature process, by reducing the burden of obtaining the taxpayer’s original signature. Furthermore, errors caused by the manual processing of returns and by the limitations of the current systems should be minimized thus reducing the time and money incurred by taxpayers when handling PRTD notices.

Circular Letter of Internal Revenue 18-04 Electronic Filing of Requests for Extensions of Time to File the Income Tax Returns

It is back! On March 14, 2018, the PRTD issued Circular Letter of Internal Revenue 18-04 (“CL 18-04”) which provides guidance on the electronic filing requirement of the Request for Extension of Time to File the Income Tax Return (Form 2644) (“Extension Request”) for taxable year

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2017. Individuals, Corporations, and Limited Liability Companies (“LLC”), which elected to be taxed as a corporation, are required to file the Extension Request through “Colecturia Virtual”, unless:

- An individual cannot file the Extension Request electronically because of an error with the Social Security Number and is filing a return for the first time; or
- A Corporation or LLC cannot file the Extension Request electronically because of an error with the employer identification number or an error with the taxable period.

In both of these cases, the Extension Request must be filed in paper format. Individuals that qualify under the exception indicated above will need to file Form 483.2 along with the Extension Request. In addition, CL 18-04 provides guidance for individuals who are abroad when the income tax return is due. These individuals may request an additional extension to file their tax return in addition to the automatic extension of time. This additional extension of time may not exceed three (3) months. When preparing the additional Extension Request individuals must complete Parts I and IV and must file it in paper format. The additional Extension Request must include evidence that the individual was outside of Puerto Rico, such as a copy of the airline ticket or flight confirmation, copy of a photo identification that shows the place of residence outside of Puerto Rico, or a copy of an official invoice that shows the place of residence outside of Puerto Rico.

ATBA Comments

The implementation of the electronic filing of the Extension Request facilitates the compliance with the filing requirements. It is important to point out, that the Extension Request only extends the filing of a return, and not the payment of any tax due which must be paid on or before April 17, 2018. If the payment is not made on or before April 17, 2018, you may be subject to interest and surcharges.

Even though CL 18-04 does not mention the payment methods, taxpayers may pay the corresponding tax electronically at the time of filing the Extension Request with ACH debit or credit card. It can also be paid at any of the PRTD’s collection centers with cash, credit card, check or money order payable to the Secretary of the Treasury of Puerto Rico. If payment is made at any of the PRTD collection centers taxpayers must present a copy of the electronically filed Extension Request.

“Colecturia Virtual” can be accessed through the PRTD’s website www.hacienda.pr.gov.

If you have questions regarding any of the electronic filing requirements, please contact one of our tax professionals.

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