



WITHHOLDING TAX

New Quarterly Tax Return - Income Tax Withholding at Source on Services Rendered in Puerto Rico - Amendments Made by Act 257-2018 and Filing Requirement

By: Gilberto Ríos Villalón

As you may recall from our Tax Bulletin from February, 2019, Act 257-2018 amended several provisions of the Puerto Rico Internal Revenue Code of 2011, as amended (the "Code"). Some of these changes are: (1) increase in income tax withholding rate from 7% to 10%, (2) the exemption on income tax withholding was reduced from the first \$1,500 to the first \$500 paid during the calendar year, (3) new services were included as subject to income tax withholding, (4) amendments to provisions regarding exempted amounts and services, (5) modifications to the full and partial waivers of income tax withholding, and (6) quarterly returns with the detail of deposits made and a reconciliation of the tax withheld during the period. This new quarterly return will be due on or before the last day of the month following the end of each quarter on March 31, June 30, September 30 and December 31 (i.e. April 30, July 31, October 31, and January 31, respectively).

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On April 4, 2019, the Puerto Rico Treasury Department ("PRTD") issued Circular Letter No. 19-10 to, among other things, explain the filing procedures for this new quarterly return ("CC 19-10"). This circular letter stated that effective for the quarter ended March 31, 2019 the filing of this return must be completed through the Internal Revenue Unified System (known by its Spanish Acronym as "SURI") by completing the tax return form 480.6 SP-1, Quarterly Contributed Withholding Tax Payments for Services Provided ("Form 480.6 SP-1") to indicate the tax withheld during each quarter of the year. This form can only be submitted electronically and for the year calendar 2019, Form 480.6 SP-1 corresponding to the quarters ended March 31, June 30, September 30 and December 31st will be due on April 30, 2019, July 31, 2019, October 31, 2019 and January 31, 2020, respectively.

However, to facilitate compliance by providing enough time for taxpayers to collect all the information necessary to file for the quarter ended on March 2019, the due date for this return (i.e. Tuesday, April 30, 2019) was extended to Wednesday, July 31, 2019. Therefore, both quarterly returns (i.e. the one for the quarter ended on March 31, 2019 as the one for the quarter ending on June 30, 2019) will be due on Wednesday, **July 31, 2019**.

Sales and Use Tax ("SUT") Back to School Holiday for Fiscal Year 2019-2020

On May 17, 2019, the PRTD issued Circular Letter No. 19-11 ("CL 19-11") to, among other thing, establish which "Back to School" items and during which periods those items will be exempt from SUT. CL 19-11 provides a list of the Back to School items that will be exempt from SUT as those are limited only to uniforms and school supplies (listed on Parts II-A-1 and II -A-2 of the CL 19-11). The first SUT exemption period will begin at midnight on Friday, July 12, 2019 and will end at 11:59 p.m. of Saturday, July 13, 2019. The second period will begin at midnight on Friday, January 3, 2020 and will end at 11:59 p.m.

of Saturday, January 4, 2020. Items not included as uniforms and items considered as school materials are listed on CL 19-11. Please remember that items such as books, including e- books, and notebooks are exempt from SUT during the whole year.

ATBA comments:

CL 19-10 extended the filing due date for the first quarterly return for calendar year 2019 from April 30, 2019 to July 31, 2019. This means that the returns for the first two quarters will be due on July 31, 2019. Do not get confused and assume that the second quarter will be due later than July 31, 2019, since at this time the PRTD has not issued any further public announcement to that regard.

At ATBA we have experienced personnel that can assist you with the compliance of CI 19-10 and CL 19-11 and other tax related matters.

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Gilberto is a Senior Tax Associate at Alvarado Tax & Business Advisors . Gilberto provides tax compliance and consulting services to several multinational clients. Also, he has participated in the development of Closing Agreements with different governmental agencies. His Curriculum vitae includes experience in the corporate area, mainly in the marine transportation industry where he last worked as Assistant to the Manager of Operations of a local operating business. With regards to specific areas of technical expertise, Gilberto provides corporate and individual tax services in the retail, manufacturing, and service industry among others.

Gilberto is a member of the Puerto Rico Certified Public Accountants Society and the American Institute of Certified Public Accountants. He has a Bachelor degree in Accounting from the University of Puerto Rico and a Master in Science of Taxation from the University of the Sacred Heart.

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