



Preparation of 2019 Informative Returns

By: Héctor Luna

Taxpayers engaged in a trade or business in Puerto Rico are required to file informative returns to report payments made for services rendered in Puerto Rico. Taxpayers must report the total amount paid during the calendar year and the amount of income tax withheld at source, if any. Section 1063.01 of the Puerto Rico Internal Revenue Code of 2011, as amended (the "Code") establishes that an informative return should be prepared for certain payments made during the year to claim such expenses as deductions on their respective income tax return.

Beginning with payments made during the calendar year 2019, the informative return reporting requirement will apply to expenses that were not previously subject to this reporting requirement. Therefore, expenses subject to the informative return reporting requirement for the first time this year include:

- Utilities
 - Electricity Power
 - Water and Sewage
- Professional Association Fees
- Continuing Education for Professions and Trades
- Insurance Premiums
- Homeowners' Association Fees Paid

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Ph. (787) 999-4400
E. taxadvisors@alvatax.com

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Other expenses that should be reported on informative returns include:

- Rent
- Services rendered
- Services subcontracted
- Commissions to businesses
- Lease, rent and royalties paid
- Health or accident plans
- Property, contingency, public liability insurance and bond
- Advertising
- Royalties
- Health or accident plans

In addition to the above mentioned expenses, Section 1063.16 of the Code establishes that any entity dedicated to providing telecommunication, internet access and cable or satellite television services in Puerto Rico or that receives payments for ads or insurance premiums must file an informative return to all commercial and residential clients. On December 9, 2019, the Puerto Rico Treasury Department (“Treasury”) issued Administrative Determination 19-08 establishing that, for calendar year 2019 only, the person or entity that makes the payment will be responsible for the preparation and filing of the informative return instead of the entity that receives the payment. That administrative declaration was declared unconstitutional on February 4, 2019, when a Puerto Rico First Instance Court confirmed that Treasury has surpassed its authority by requiring the person making the payments to prepare the informative declaration instead of the person receiving the payment as established by the Code. At this time, we are waiting for Treasury to issue an official communication for further guidance on this subject. However, on February 18, 2020, Treasury filed a request to appeal this decision.

Furthermore, Treasury modified several informative returns and added new ones for 2019. An example of this is the payments for services rendered by an individual or by an entity which were previously reported in Form 480.6A (for payments not subject to income tax withholding at source) or Form 480.6B (for

payments subject to income tax withholding at source) and will now be reported in the new Form 480.6SP.

Below we include a list of informative returns to be used for calendar year 2019:

Form	Type of Expense to be Reported
480.6A	Other Income Not Subject to Withholding – Commissions and fees, rents, royalties, certain utilities, professional association fees, continuing education for professional or trades, among others.
480.6B	Other Income Subject to Withholding – Payments for judicial or extrajudicial Indemnification, certain interest and dividends, among others.
480.6C*	Payments to Non-Residents or for Services from Sources outside of Puerto Rico – Salaries, services rendered by independent contractors, sale of real property, royalties, certain dividends, among others.
480.6D	Exempt and Excluded Income and Exempt Income Subject to Alternative Basic Tax – Accumulated gain on nonqualified options, certain interest, dividends and rents, among others.
480.6SP	Services Rendered – Services rendered by individuals, partnerships and corporations either subject or not subject to income tax withholding at source.
480.6G	Transactions Made by Electronic Means – Applicable to entities engaged in the processing of payments by electronic means.
480.7E	Advertising, Insurance Premiums, Telecommunication, Internet and Cable or Satellite Services – (Pending as mentioned above).

* For the calendar year 2019, a new box was added to include payments not subject to withholding. It seems all payments made to non-resident persons, even when they are not for services rendered, should be

**ABOUT THE AUTHOR
Héctor Luna**

Héctor is a Senior Associate at Alvarado Tax & Business Advisors LLC, a firm dedicated to tax and business consulting services. He has four years of experience in the corporate and individual tax advisory and outsourcing areas and provides outsourcing services for hotel, advertising, and retail, among others.

Héctor has a Bachelor’s Degree in Business Administration with a major in Accounting from the University of Puerto Rico. He is a member of the Puerto Rico Society of Certified Public Accountants since 2017.

included in this box. If the payment is made for services rendered outside of Puerto Rico, there is a box that should be checked to confirm such fact.

Where to file?

Beginning with the calendar year 2019, informative returns must be filed through Treasury’s Internal Revenue Uniform System (“SURI” for its Spanish acronym).

When to file?

These forms are due on February 28 of the following year. However, on January 31, 2020 Treasury issued the Informative Bulletin 20-02 establishing that because SURI will be on its 3rd phase of taxes implementation from February 20 through February 24, for the calendar year 2019 the informative returns with an original due date of February 28, 2020 will now have an extended due date of March 3, 2020.

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Below please find the list of the 2019 informative returns with their due dates:

Form	Due Date
480.6A	March 3 ,2020
480.6B	March 3 ,2020
480.6C	April 15, 2020
480.6D	March 3 ,2020
480.6SP	March 3 ,2020
480.6G	March 3 ,2020
480.7E (pending)	March 3 ,2020

ATBA Comments

Beginning with taxable year 2019, no deduction will be allowed for the expenses mentioned on page I if the taxpayer does not file the required informative returns. Furthermore, Treasury may impose, through the taxpayer's SURI account, a late filing penalty of \$500 per informative return filed after its corresponding due date. This requirement will apply to all taxpayers without regard to the fact that either an Audited Financial Statement or Agreed Upon Procedure Report is submitted together with the corresponding income tax return.

Since the penalties for not complying may be so severe, we recommend you to review the list of services and expenses paid during 2019 to ensure that an informative return is filed pursuant to the guidelines established by Treasury. If you have a doubt of whether an informative return is required or not, the safe action plan is to file the informative declaration.

At ATBA we have experienced personnel that can assist you with the preparation of

these informative returns and other tax related matters.

**Alvarado Tax & Business
Advisors LLC**

104 Acuarela Marginal Street
Martinez Nadal Expressway
Guaynabo PR 00969

PO Box 195598
San Juan PR 00919-5598

T. 787.999.4400
F. 787.999.4646

E. taxadvisors@alvatax.com
www.alvatax.com
www.taxand.com

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**Key Contacts at
Alvarado Tax &
Business Advisors LLC**

**Juan A. Alvarado-Zayas, Esq.,
CPA**

Managing Member
787-620-7730
jalvarado@alvatax.com

Juan Zaragoza-Gómez, CPA

Member
787-620-7740
जारagoza@alvatax.com

Felipe Mariani-Franco, CPA

Member
787-620-7736
fmariani@alvatax.com

**Sandra Marie Torres-
Martínez, CPA**

Member
787-620-7728
storres@alvatax.com

**Edgardo Sanabria-Valentín,
CPA**

Member
787-999-3015
esanabria@alvatax.com

**Carlos R. González-Martínez,
CPA**

Member
787-620-7739
cgonzalez@alvatax.com

**César De Jesús-Umpierre,
CPA**

Member
787-620-7734
cdejesus@alvatax.com

Rosirma García-Rivera, CPA

Member
787-620-7733
rgarcia@alvatax.com

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