

27 March 2018

Global Tax Alert

News from Americas Tax Center

Puerto Rico's Treasury Department issues guidance for e-filing of corporate income tax returns for tax year 2017

EY Global Tax Alert Library

The EY Americas Tax Center brings together the experience and perspectives of over 10,000 tax professionals across the region to help clients address administrative, legislative and regulatory opportunities and challenges in the 33 countries that comprise the Americas region of the global EY organization.

Copy into your web browser:

<http://www.ey.com/US/en/Services/Tax/Americas-Tax-Center---borderless-client-service>

The Puerto Rico Treasury Department (PRTD) has issued guidance (Circular Letter (CL) 18-03) for the electronic filing (e-filing) of corporate income tax returns for tax year 2017.

Background

Generally, domestic and foreign corporations that are engaged in a trade or business in Puerto Rico must file a corporate income tax return by no later than the 15th day of the fourth month following the close of the tax year. For tax year 2017, the corporate income tax return for calendar-year taxpayers must be filed by no later than 17 April 2018, and for fiscal-year taxpayers, by no later than the 15th day of the fourth month following the close of the tax year. Foreign corporations that do not have an office or place of business in Puerto Rico must file the corporate income tax return no later than the 15th day of the sixth month following the close of the tax year.

For tax year 2017, regular corporations filing Form 480.20 will have the option of electronically filing their corporate income tax returns through a program certified by the PRTD. Certified programs can be accessed on the PRTD's website at: www.hacienda.pr.gov under Corporate Returns 2017.

Tax return specialists using a private program to prepare the corporate income tax returns for their corporate clients may also use the private program to electronically file these returns. To complete the electronic filing, the specialists must be registered with the PRTD and use their social security number or employer identification number and the password provided by the PRTD through email.

Procedure for electronic filing of the corporate income tax return and required evidence

Taxpayers that electronically file their corporate income tax returns for tax year 2017 and whose electronic filing confirmation sheet issued by the certified program indicates that they must submit evidence should access the E-Forms System to electronically file these documents. The E-Forms System is available at www.hacienda.pr.gov under the "Hacienda Virtual" link. To access the E-Forms System, the taxpayer or specialist should use the username and password used to access the "Colecturia Virtual" webpage (PRTD Online Payment webpage).

Once in the system, taxpayers should press the Submit Evidence link to upload the additional documents required (e.g., audited financial statements). Tax return specialists filing on behalf of a taxpayer must receive authorization from their corporate clients to upload these documents and should select the Representative/Specialist link for these purposes. CL 18-03 provides step-by-step instructions for filing the evidence.

The E-Forms System will be available for electronically filing the required evidence with the corporate income tax return until the day after the due date for filing the return, including extensions, or until the day after the return is electronically filed in those cases in which the return is filed after its due date. Once the process for electronically filing the evidence for the corporate income tax return is completed, the taxpayer or specialist may not add, substitute or modify documents.

For tax return specialists to file a return on behalf of a taxpayer, they must obtain the taxpayer's written authorization for the specialist to digitally sign the corporate income tax return. Written authorization must be made on Form SC 2909 A, *Specialists Authorization to Electronically File and Digitally Sign the Corporate Income Tax Return*. Specialists should retain Forms SC 2909 A for 10 years.

Large taxpayers, as described in Section 1010.01(a)(35) of Puerto Rico's Internal Revenue Code of 2011 (PR Code), also may elect to electronically file their corporate income tax returns for tax year 2017.

Automatic extensions

Taxpayers may file Form SC 2644, *Extension Request*, to request an automatic extension of time to file the corporate income tax return. For tax year 2017, taxpayers must file Form SC 2644 electronically.

Corporate income tax returns with a tax liability

Taxpayers owing a balance on the corporate income tax return should make the payment by no later than the date established in the PR Code. The payment may be paid electronically through a checking or savings account (ACH debit method). The balance also may be paid in person with cash, debit card, credit card, check or money order at an Internal Revenue Collection office.

Amended returns

Taxpayers may electronically amend their corporate income tax returns. If they file an amended return, they must submit the required evidence, including the evidence electronically filed with the original return.

Electronic filing restrictions

The following taxpayers may not file the corporate income tax return electronically:

- ▶ Foreign corporations that are not dedicated to a trade or business in Puerto Rico and that only report the sale of local real estate in Puerto Rico on their corporate income tax return
- ▶ Foreign corporations that are not engaged in trade or business in Puerto Rico, but have income related to a trade or business in Puerto Rico
- ▶ Corporations in liquidation that are filing a final corporate income tax return before the end of their tax year
- ▶ Corporations that have to file Schedule Q, *Investment Funds – Credit for Investment, Losses and Amount to Carryover*, or Schedule Q1, *Investment Funds – Determination of Adjusted Basis, Capital Gains, Ordinary Income and Special Tax*

Paper filing

Taxpayers that file their corporate income returns on paper may file the same in person at any of the following locations:

- ▶ Puerto Rico Treasury Department, 10 Covadonga Street, Intendente Ramírez Building, Old San Juan
- ▶ Internal Revenue Collection offices
- ▶ Orientation and Return Preparation Centers until 17 April 2018

Tax returns also may be sent by mail to the following address:

Puerto Rico Treasury Department
P.O. Box 9022501
San Juan, PR 00902-2501

Implications

The electronic filing procedure for 2017 is optional. It is expected, however, that the requirement may be mandatory at some time in the future, as it was a few years ago for individual income tax returns. Therefore, companies with operations in Puerto Rico should note this change and start conversations with their tax departments and tax service providers to determine the proper filing method for tax year 2017.

Even though electronic filing of the corporate income tax return is optional, the electronic filing of the request for extension is mandatory.

Although CL 18-03 did not mention whether payment may be sent by mail if the return is filed electronically, the PRTD will accept payments sent by mail, but the payment must be accompanied with a copy of the electronic filing confirmation of the tax return.

For additional information with respect to this Alert, please contact the following:

Ernst & Young Puerto Rico LLC, State and Local Taxation Group, San Juan

- | | |
|--------------------------|-----------------------|
| ▶ Rosa M. Rodríguez | rosa.rodriguez@ey.com |
| ▶ Pablo Hymovitz Cardona | pablo.hymovitz@ey.com |
| ▶ María T. Riollano | maria.riollano@ey.com |

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Americas Tax Center

© 2018 EYGM Limited.
All Rights Reserved.

EYG no. 01838-181Gbl

1508-1600216 NY
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com