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Global Tax Alert

News from Americas Tax Center

Puerto Rico's new Quarterly Return of Tax Withheld on Payments for Services Rendered is due 31 July 2019

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The Puerto Rico Treasury Department (PRTD) has issued guidance (Circular Letter (CL) 19-10) on the preparation and filing of new Form 480.6 SP-1, *Quarterly Return of Tax Withheld on Payments for Services Rendered*.

Background

Act 257-2018 increased the income tax withholding rate from 7% to 10% for payments made after 31 December 2018, for services rendered. Act 257-2018 also established a new quarterly reconciliation return requirement to report payments made, tax withholding withheld and deposited, and payments of any unpaid balances. The new return is due on or before the last day of the month following the close of each of the quarters ending on 31 March, 30 June, 30 September and 3 December of each year. Taxpayers must pay the withholding tax no later than the 15th day of the month following the month in which the tax is withheld.

CL 19-10

Filing the quarterly return for tax withheld and extension of 2019 first quarter to 31 July

The PRTD created Form 480.6 SP-1, *Quarterly Return of Tax Withheld on Payments for Services Rendered*, which taxpayers must use to report the withholding tax collected during each quarter. Taxpayers must file

Form 480.6 SP-1 electronically through the integrated tax system (SURI by its Spanish acronym) no later than the last day of the month following the close of each of the quarters ending on 31 March, 30 June, 30 September and 31 December of each year. However, to give withholding agents time to compile the information needed to electronically file Form 480.6 SP-1, the PRTD has extended the return due date for the quarter ending 31 March 2019, from 30 April 2019 to 31 July 2019. Taxpayers also must file the return for the quarter ending 30 June 2019, no later than 31 July 2019.

CL 19-10 provides step-by-step instructions for filing Form 480.6 SP-1 through SURI. The PRTD processes the returns once a day. Once the PRTD processes a return, the system sends a notification to the taxpayer through SURI confirming that the return has been processed. Taxpayers may modify the return before the PRTD processes it. If the modifications are made before the PRTD processes the return, the PRTD will not consider the modifications to be amendments to the return. If the modifications are made after the PRTD processes the return, the PRTD will treat the return as an amended return.

The total withholding tax reported on Forms 480.6 SP-1 must match the total reported on the Annual Reconciliation Statement. If there is a difference in the amounts, the difference will be treated as withholding tax that was not remitted by the withholding agent, and it will be subject to interest, surcharges and penalties until the amount is correctly reported on all forms.

Withholding deposit and minimum amount rule

Withholding agents must remit the withholding tax through SURI by the 15th day of the month following the month in which the tax is withheld. CL 19-10 provides step-by-step instructions for remitting the withholding tax. Withholding agents that fail to deposit the withholding tax will be subject to interest, surcharges and penalties on the amount withheld and not deposited.

CL 19-10 establishes a minimum amount rule under which withholding agents that withhold less than US\$2,500 during the quarter may remit the payment of the tax when they file the quarterly return. Withholding agents that comply with the minimum amount rule and do not remit the withholding tax payment with the quarterly return will be subject to the imposition of interest, surcharges and penalties on the amount withheld and not deposited on time.

If the withholding tax amount equals or exceeds US\$2,500 when the quarterly return is due, the PRTD will treat the withholding agent as not in compliance with the minimum amount rule, and will require the withholding agent to remit the withholding tax on a monthly basis by the 15th day of the month following the month in which the tax is withheld. If a withholding agent complies with the minimum amount rule, but prefers to remit the withholding tax monthly, the withholding agent may remit the withholding tax to the PRTD each month by following the procedure in CL 19-10.

Implications

To be able to deduct the amounts paid for services received in Puerto Rico, taxpayers need to comply with the remittance of income tax withheld, as well as the filing of the new quarterly returns and the filing of the annual informative tax returns with the PRTD.

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