



May 1, 2013

Tax Alert 2013-01
Governor Approves Tax Abatement Program

On April 29, 2013, the Governor of the Commonwealth of Puerto Rico signed Act No. 12 authorizing a new tax abatement program commencing on May 13, 2013 and finalizing on June 30, 2013. This program will apply to any income tax, estate and gift tax, excise tax, sales and use tax, and withholding tax at source deficiency assessed or to be assessed as of December 31, 2012. The abatement will not apply to tax returns related to years ended after December 31, 2011.

Taxpayers electing to take advantage of this program should be aware of the following:

- The abatement program grants a total waiver on all accumulated interest, surcharges and penalties on tax deficiencies related to years ended on or before December 31, 2011. If the tax deficiency relates to sales and use and withholding taxes, the abatement program applies to deficiencies related to years ended on or before December 31, 2012.
- Taxpayers may elect to pay the principal in full or according to a payment plan approved by the PR Treasury.
- All payment plans will require a 10% down payment and will not extend over 48 months.
- The PR Treasury will charge interest on the payment plans exceeding 12 months as follows: 5% for 24-month payment plans, 7% for 36-month payment plans and 10% for 48-month payment plans.
- All payment plans must be signed, and the down payment paid by June 30, 2013.
- Taxpayers must be in good standing with all filings and payments for all periods commencing after December 31, 2012.
- Taxpayers abiding to this program waive the right to object the tax debts that are part of this program
- Taxpayers that are part of a tax audit, administrative hearing or court proceeding may elect to pay the contested debt through the abatement program. Such action will constitute just cause for a dismissal of the administrative or judicial process.
- Taxpayers with payment plans in place may renegotiate the remaining principal under the terms and conditions of this abatement program.
- Payments under this program are voluntary, final and not subject to future refund or credit claim.
- The following taxpayers will not be granted the abatement program benefits: taxpayers subject to tax related criminal proceedings, taxpayers convicted of tax related crimes, taxpayers with illegal sources of income or those related to organized crimes.

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Please contact Rafael A. Arce, JD, CPA, MST, Senior Tax Manager at 787-725-1600 or at rarce@vgmmcpa.com, or any of our partners should you have any questions or comments or if you need additional information regarding this matter. This Tax Alert has been prepared for informative purposes and it is not intended to provide and does not constitute tax advice. Please contact us at 787-725-1600 or at fsosa@vgmmcpa.com if you would like us to add/delete you from our mailing list.

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