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TAX ALERT 2018-02

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A PUBLICATION FROM THE TAX DIVISION

P.R. TREASURY ISSUES THE EMPLOYEE RETENTION BENEFIT



Please contact your account service partner should you have any questions or comments or if you need additional information regarding these matters.

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On June 4, 2018, the P.R. Department of Treasury (“the Department”) and the U.S. Treasury formalized an agreement on how to implement the benefits of the Disaster Tax Relief and Airport and Airway Extension Act of 2017 (“the Act”) to Puerto Rico employers. Under the Act, employers that were inoperable during the eligible period due to damages caused by the impact of hurricanes Irma and Maria and that continued to pay salaries to their employees, may apply for a credit for employee retention. The U.S. Treasury determined that the net benefit for Puerto Rico employers will be 26% or 32% of the first \$6,000 of qualified salaries paid by an eligible employer to each eligible employee, during the eligible period. The percentage to be applied will be determined based on the net income subject to regular tax as follows:

- If net income subject to regular tax exceeds \$10,000,000, the applicable rate is 26%;
- If net income subject to regular tax is below \$10,000,000, the applicable rate is 32%.

Eligible employers are those that conducted an active trade or business in Puerto Rico on September 4, 2017, in the case of Hurricane Irma, and on September 16, 2017, in case of Hurricane Maria; whose business became inoperable as of or after the mentioned date and before January 1, 2018 and that continued to pay wages during this period. Eligible employers may be corporations, flow-through entities and self-employed individuals who hire employees to carry its business.

Eligible employees are those that were employees of an eligible employer with principal place of business in Puerto Rico as of September 16, 2017 in the case of Hurricane Maria. For Hurricane Irma, eligible employees are those employed as of September 4, 2017 in a principal place of business in the municipalities of Canóvanas, Cataño, Culebra, Dorado, Fajardo, Loíza, Luquillo, Toa Baja, Vega Baja and Vieques

The eligible period started on September 4, 2017 for Hurricane Irma and on September 16, 2017 for Hurricane Maria. The eligible period ended on the date the business resumed significant operations or December 31, 2017, whichever came first.

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BENEFIT
(continued)

To be eligible for the benefit, the employer must be registered in the Merchant Registry and have filed electronically the following forms:

- Form 499R-2/W2 PR – Withholding Statement for the tax year 2017;
- Form 941PR – Employer’s Quarterly Federal Employment Tax return, for the tax year 2017;
- Form PRSD-10 – PR Employer’s Quarterly Unemployment & Disability Insurance Tax return, for the tax year 2017;
- Form 499R-1 A – PR Employer’s Quarterly Return of Income Tax Withheld at Source for the tax year 2017.

The benefit can only be claimed by electronic means through the same platform employers use to file the Employer’s Quarterly Returns of Income Tax Withheld at the Department website. Access to claim the benefit will be available until December 31, 2018. Benefits will be paid through direct deposits to the bank account indicated by the employer at the time the benefit is claimed.

For additional information, refer to the Employee Retention Benefit presentation issued by the Department by following this link:

http://www.hacienda.pr.gov/sites/default/files/employeeeretentionbenefit_rev_june_19.pdf

To request the benefit, follow this link:

<https://planillatrimestralpatronal.hacienda.gobierno.pr/>

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