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TAX ALERT 2019-07

December 17, 2019

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A PUBLICATION FROM THE TAX DIVISION

PR Department of Treasury Issued Administrative Circular Letter No. 19-16 Partial Waiver



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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In accordance with the provisions of Sections 1021.06 and 1022.07 of the Puerto Rico Internal Revenue Code of 2011, as amended, (the “Code”), for taxable years beginning after December 31, 2018, self-employed individuals and corporations that provide services, may choose to pay their income tax under a gross optional tax¹.

Section 1062.03 (g) (5) of the Code provides that individuals or entities that, for a particular taxable year, choose to pay their income tax under the gross optional tax and whose gross income of the previous taxable year (as shown in the income tax return) does not exceed \$ 100,000, may obtain a partial waiver, so that the applicable withholding is 6% instead of 10%.

On December 9, 2019, Treasury issued Circular Letter No. 19-16 (“CC RI 19-16”), to establish the requirements to be eligible to pay income tax under the gross optional tax and inform the process to obtain the *Partial Waiver – 6% Optional Tax* for the year 2020 onwards.

Generally, the election to pay income under the gross optional tax is made annually with the return. Taxpayers that are eligible and interested in obtaining the *Partial Waiver – 6% Optional Tax*, must make said election through the Internal Revenue Unified System (“SURI”, by its Spanish acronym), as part of the waiver application. The election will be irrevocable for the year for which it was obtained. Therefore, taxpayers who obtain the *Partial Waiver – 6% Optional Tax* will be taxed under the optional tax, regardless of the fact that, at the time of completing their return, the total gross income exceeds \$ 100,000.

The process to obtain the *Partial Waiver – 6% Optional Tax* is as follows:

- Access SURI account.
- In the *I Would Like* section, select *More Options*.
- Click on the *Partial Waiver Certificate – 6% Optional Contribution* link.
- Read all the statements carefully and, if in agreement, check the corresponding box and click *Submit*.
- Print the *Partial Waiver – 6% Optional Tax* provided by the system. Taxpayers may also access it through the *Correspondence* tab, selecting the option *View Correspondence* and clicking on the link *Partial Waiver Certificate – 6% Optional Tax*.

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PR DEPARTMENT
OF TREASURY ISSUE
ADMINISTRATIVE
CIRCULAR LETTER NO.
19-16 - PARTIAL WAIVER

The issuance of the *Partial Waiver – 6% Optional Tax* invalidates any other waiver previously issued for the same year under the provisions of Section 1062.03 (g) of the Code. Therefore, payers who have received a waiver for the year from their service provider and subsequently receive a copy of the *Partial Waiver – 6% Optional Tax* from said provider, must proceed to withhold 6% in accordance with the provisions of said waiver.

The provisions of CC RI 19-16 are effective immediately.

¹ Taxpayers should meet certain requirements related with the ratio of service revenues vis-a-vis total revenues, tax withholding at source, and estimated payments, among others.

Valdés, García, Marín & Martínez, LLP is a Puerto Rico based firm of Certified Public Accountants and Consultants organized as a partnership for the practice of public accounting since 1975. Our 40 years of experience in public accounting support our commitment to excellence and professionalism.

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