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TAX ALERT 2022-01

October 3, 2022

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A PUBLICATION FROM THE TAX DIVISION

ADMINISTRATIVE DETERMINATION CONTAINING TAX MEASURES IN RESPONSE TO HURRICANE FIONA



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On September 27, 2022, the Puerto Rico Treasury Department ("PRTD") issued Administrative Determination No. 22-08 ("DA 22-08", by its Spanish acronym), which contains various measures that provide relief to taxpayers in response to the emergency caused by the passage of Hurricane Fiona. Some of the relief provisions include the following:

Income Tax Returns and Payments

The deadline to file any income tax return for the tax year 2021, or its extension request, of **individuals, corporations, pass-through entities and other legal entities** whose deadline is between September 30 and before December 15, 2022, is postponed until **December 15, 2022**. This extension will also apply to any tax due.

In addition, the filing deadline of any return originally due between September 30, 2022 and December 15, 2022 for which a Request for Extension is filed (Form SC 2644) will be extended for a period of six months, from December 15, 2022, until **June 15, 2023**.

The payment of the second installment of the 2021 **individual income tax** is automatically postponed from October 18, 2022, to **December 15, 2022**. Also, the deadline to file the **Credit for Persons Age 65 or Older and Compensatory Credit for Low-Income Pensioners Return (Form 481.1)** for taxable year 2021 is postponed from October 14, 2022, to **December 15, 2022**.

Sales and Use Tax ("SUT")

The deadline for filing the Tax on Imports Monthly Return, (Form SC 2915) corresponding to August 2022 and remitting payments of the related tax is extended from September 20, 2022 to **October 20, 2022**.

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Tax Measures in Response to Hurricane Fiona (continued)

Sales and Use Tax (continued)

In addition, the PRTD will grant automatically through the Internal Revenue Unified System ("SURI", by its Spanish acronym) a Temporary Exemption Certificate that will allow dully registered *Resellers*¹, during a Temporary Exemption Period, to import or acquire taxable items for resale free of the payment of SUT. The Temporary Exemption Period is **from October 1, 2022 to October 31, 2022**.

The tax exemption does not apply to the import or acquisition of taxable items for auto consumption or use of inventory.

Mathematical Errors and Other Tax Notices and Procedures

- The term to respond to mathematical errors and adjustment notices that expire between September 19, 2022 and November 18, 2022 is automatically extended until **November 18, 2022**.
- The PRTD determined to cease the issuance of collection notices, bank liens and other garnishments until **November 18, 2022**.
- Scheduled garnishments and all those that have not expired 30 days from their notification are cancelled.
- Taxpayers who have been economically affected by the impact of Hurricane Fiona and are under a tax payment plan in force with the PRTD as of September 19, 2022 may request for new terms through SURI or by visiting the Collection Offices of the PRTD's Collections Bureau before **December 31, 2022**. In addition, taxpayers may request to make the first installment under a new payment plan no later than 45 days from the date on which it was requested.
- The PRTD will extend until **November 18, 2022** the expiration date of any administrative procedure that cannot be handled through SURI, and whose filing dates expire during the period between September 19 and before November 18, 2022, including:
 - ⇒ Applications for Rulings;
 - ⇒ Administrative Debt Review Letters;
 - ⇒ Requests for Change of Taxable Year; and
 - ⇒ Requests for Change of Accounting Method.

All other administrative complaints and all terms for the submission of information required by the Department's Office of Administrative Appeals whose filing dates expire during the period of September 19 and before October 18, 2022, are extended until **October 18, 2022**.

¹As defined in Section 4010.01(ww) of the 2011 Puerto Rico Internal Revenue Code, as amended, (the "PRIRC"). In addition, *Resellers* must have a current Reseller Certificate.

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Tax Measures in Response to Hurricane Fiona (continued)

Bonds and Licenses

All bonds and internal revenue licenses with an expiration date between September 19, 2022 and before November 18, 2022, are automatically extended until **November 18, 2022**.

Distributions and Loans from Qualified Retirement Plan and IRAs

- The PRTD will allow special distributions of retirement plans and IRA accounts between **October 6, 2022 through December 31, 2022**. The first \$10,000 of said special distributions shall be tax free. The PRTD issued Circular Letter of Internal Revenue 22-13, which includes further guidelines and applicable requirements.
- A gross income exclusion is granted to payments in cash or its equivalent (ie checks, money orders, gift certificates, etc.) made directly by the employer to employees or independent contractors representing *Qualified Payments*² and loans to cover emergency expenses made between **September 19, 2022 until December 31, 2022**. The PRTD will issue a Circular Letter to establish:
 - ⇒ The monthly or annual amount of *Qualified Payments* in cash or its equivalent that employers may make and shall be considered excluded from the gross income of employees or independent contractors; and
 - ⇒ Other information requirements.

Employers may deduct said *Qualified Payments*, including those that constitute goods and services, to determine the net income subject to income tax if the notification and information requirements established by the PRTD are met.

²As defined in Section 1031.01(b)(16) of the 2011 Puerto Rico Internal Revenue Code, as amended, (the "PRIRC").

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. Over 45 years of experience in public accounting support our commitment to excellence and professionalism.

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