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## New Tax Amnesty Law Approved in Puerto Rico

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**A**ct No. 12 of 2013, the latest tax amnesty bill recently passed by the Puerto Rico Legislative Assembly, was signed into law by the Governor of Puerto Rico on April 29, 2013. The new act provides for an incentivized payment plan whereby taxpayers can elect to pay the total amount of outstanding tax debts to the Puerto Rico Treasury Department (the “Department”) on or before June 30, 2013, free of any interests, penalties, and surcharges. In order to benefit from the incentive plan, taxpayers should file and pay applicable taxes for taxable years beginning after December 31, 2012.

Taxes that qualify for the incentive plan should have been assessed or are subject to be assessed as of December 31, 2012, and include the following:

- income taxes with the exception of those related to taxable years ended after December 31, 2011;
- income taxes withheld at the source, including but not limited to payroll taxes, related to tax periods ended before January 1, 2013;
- estate and gift taxes;
- sales and use tax; and
- taxes imposed under Act No. 7-2009, Act No. 73-2008, Act No. 74-2010, Act No. 83-2010, Act No. 27-2011, Act No. 20-2012 and other related acts.

Taxpayers are allowed to pay the total principal owed or they may request a payment plan for a term that cannot exceed more than 48 months. To qualify for the alternative of making installment payments, taxpayers must pay an initial amount and the remaining balance will be subject to an annual interest rate, as follows:

Term	Initial Payment	Annual Interest Rate
Up to 12 months	10% of principal	0%
Up to 24 months	10% of principal	5%
Up to 36 months	10% of principal	7%
Up to 48 months	10% of principal	10%

Please note that payment plan arrangements should be requested on or before June 30, 2013. If a taxpayer fails to comply with the conditions of the agreement, it will be subject to the tax collection mechanisms available under the Puerto Rico Internal Revenue Code of 2011, as amended. This means that the taxpayer should be current in the filing of returns and the payment of taxes for taxable years commencing after December 31, 2012. Furthermore, the tax debt will be reinstated to the original amount, including interests, surcharges and penalties.

The alternative of a payment plan will not be offered to taxpayers who have not filed the returns for tax years ending on or before December 31, 2011. The taxpayer may file such return and pay only the total amount of tax principal due, that is, without any interests, surcharges or penalties.

The tax amnesty is not available to the following taxpayers:

- those with pending criminal proceedings for a tax related crime;

- those whose source of income is illegal;
- those whose business is related to organized crime;
- those that have been convicted of tax fraud; and
- elected public officials.

On the other hand, taxpayers whose returns are under investigation by the Department, under administrative procedures for a tax deficiency or in a pending judicial proceeding, may also take advantage of this amnesty. In such cases, benefiting from the tax amnesty will constitute sufficient cause for the withdrawal of the administrative or judicial investigation. Additionally, taxpayers who currently have payment plans arrangements with the Department may renegotiate the terms of the agreement pursuant to the provisions of the new tax amnesty. Finally, any payment made under this amnesty is voluntary and final and, therefore, cannot be subject to future refund or credit claims.



Goldman Antonetti & Córdova, LLC remains committed in assisting you and your business to adjust to changes in the law. If you need further assistance in this area, please contact:

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