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TAX ALERT

Puerto Rico Tax Amnesty Program

On April 29, 2013, Puerto Rico Act 12-2013 was enacted to establish a Puerto Rico Department of the Treasury ("PR Treasury") tax amnesty program pursuant to which the payment of interest, penalties and surcharges related to certain tax liabilities is waived ("Tax Amnesty").

The Tax Amnesty covers income taxes imposed under the Puerto Rico Internal Revenue Code of 2011, as amended (excluding those related to any tax year ending after December 31, 2011), estate and gift taxes, sales and use taxes ("SUT"), taxes imposed under Act 7-2009, as amended, income tax withholdings, and income taxes imposed pursuant to certain tax incentives acts ("Covered Taxes") for tax periods ending on or before December 31, 2011 (January 1, 2013 in the case of SUT and income tax withholdings).

Pursuant to the Tax Amnesty, taxpayers will have the option to either (i) settle outstanding liabilities related to Covered Taxes by paying only the principal amount due (*i.e.*, without the imposition of any interest, surcharges or penalties); or (ii) request a payment plan of up to 4 years under which the principal amount due will be subject to interest.

Payment plan options are as follows:

Initial Payment	Debt Repayment Period	Annual Interest Charged
10% of principal amount	1 year	None
10% of principal amount	2 years	5%
10% of principal amount	3 years	7%
10% of principal amount	4 years	10%

For a taxpayer to be able to benefit from the Tax Amnesty, the tax liability to be settled must have already been assessed by the PR Treasury or the applicable return must have been filed with the PR Treasury with a related tax liability pending to be assessed as of December 31, 2012.

Taxpayers who have not filed returns for tax periods ending on or before December 31, 2011, may file such returns in order to become eligible to benefit from the Tax Amnesty, but will not be eligible to choose a payment plan option.

Taxpayers wishing to benefit from the Tax Amnesty must pay the applicable tax liability in full or request the selected payment plan and make the required initial payment no later than June 30, 2013. In order to be eligible to benefit from the Tax Amnesty, the taxpayer must be current on the payment and filing of all taxes, including those with respect to which it acts as a withholding agent, related to tax periods commenced after December 31, 2012. Taxpayers undergoing an administrative or judicial process related to liabilities for Covered Taxes are eligible to benefit from the Tax Amnesty and, if they do, such process will terminate with respect to the liabilities object of Tax Amnesty relief. Payments made pursuant to the Tax Amnesty are considered final for all purposes and may not be the object of subsequent claims for refund and/or credit.

Act 12-2013 gives the Secretary of the Treasury ("Secretary") authority to issue guidance to facilitate the implementation of the Tax Amnesty. The Secretary is further authorized to eliminate interest, surcharges and penalties related to debts with no principal balance from PR Treasury's records.

The Tax Amnesty is not available to taxpayers that have an ongoing proceeding for tax related crimes, that were convicted for tax fraud, whose source of income is illegal, or whose activities or businesses may be identified as criminal activities under Act 33-1978, known as the Act Against Organized Crime; nor is it available to elected public officials.

The provisions of Act 12-2013 will be in effect from May 13, 2013 through June 30, 2013.

For updates on this matter, you may contact any of the attorneys listed below, all members of our Tax Practice Group:

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