

# BUSINESS INSIGHT



## GOVERNOR OF PUERTO RICO ENACTS SECOND ROUND OF ECONOMIC RELIEF AMID PANDEMIC

On June 14, 2020, the Governor of Puerto Rico signed into law House Bill No. 2468, also known as the "Complementary Act to Address the Impact of the Covid-19 Emergency on the Puerto Rico Economy" ("Act"), in response to the Covid-19 pandemic to bring additional economic relief to Puerto Rico.

We list below some key provisions of the Act:

- Allows businesses to carryback up to \$200,000 in net operating losses ("NOL") incurred during 2020 due to the Covid-19 crisis to the preceding two tax years (starting with the oldest tax year) and request any resulting tax refund up to a maximum of \$50,000. This carryback will not be subject to the 80% and 90% NOL limitations for taxable years 2018 and 2019, respectively, imposed by the Code. The election will be available to businesses with a volume of business of \$10,000,000 or less. Large Taxpayers, as defined in the Puerto Rico Internal Revenue Code (the "Code"), will not be allowed to carryback their net operating losses.
- Businesses will be allowed to carryforward NOLs incurred in taxable year 2020 due to the Covid-19 crisis without the limitations imposed by Section 1033.14(b)(1)(D) of the Code.
- Business-to-business (B2B) and Designated Professional Services transactions will not be subject to the 4% Sales and Use Tax ("SUT") during the months of April, May and June 2020.
- Suspends the Alternative Minimum Tax of \$500 on corporations for taxable year 2019. A refund can be requested if said tax was already paid.
- Postpones deadline to submit Informative Returns required under Sections 1063.01 through 1063.16 of the Code to May 31st, 2020.
- For taxable year 2019, suspends the requirement to include Agreed Upon Procedures or Compliance Attestation with tax returns as required by Section 1021.02(a)(2)(D) and Section 1022.04(a)(7)(B) of the Code.
- Automatically extends for 6 months any license or bond issued under the Internal Revenue Code or by any government agency, instrumentality or municipality with expiration dates commencing on March 1st, 2020.
- Excludes from gross income any federal or state Covid-19 related economic-aid and/or subsidies for income tax and municipal volume of business tax purposes. Allows taxpayers to claim ordinary and necessary business expenses paid with these funds as deductions on their income tax returns.
- For taxable year 2020, automatically considers businesses with tax exemption decrees under the Puerto Rico Incentives Code (Act 60-2019) or other previous incentives laws, as in compliance with respect to requirements regarding employment creation and retention, gross income or volume of business and investment in equipment and machinery, so as to favor the continuance of their tax exempt status, as long as the lack of such compliance requirement is due to the Covid-19 emergency.
- Temporarily exempts the requirement to present any statement sworn and subscribed before a notary public under the Code, Regulations, or other Department of the Treasury announcement, between April 1st, 2020 and the end of the emergency. Instead, taxpayers must submit the information including a statement under penalty of perjury.
- Deadlines to submit income tax returns and to complete any related payments originally due between March 15th, 2020 and June 15th, 2020 are postponed to July 15th, 2020 for all taxpayers including conduct entities.
- Deadlines to submit monthly SUT returns for the periods of February, March, April and May are now due on the 20th day of April, May, June and July, respectively (postponed by two months).
- Temporary suspends the 10% withholding on payments made for services rendered between March 23, 2020 and June 30, 2020.

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