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# Global Tax Alert

News from Americas Tax Center

## Puerto Rico extends automatic extension period for filing a 2017 tax return from three months to six months

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The Puerto Rico Treasury Department (PRTD) has extended (Administrative Determination 18-07 (AD 18-07)) the automatic extension period for filing a 2017 tax return from three months to six months.

### Automatic extension request for filing 2017 income tax return

In AD 18-07, the PRTD grants all taxpayers requesting an automatic extension of time to file their 2017 *Income Tax Return* an extension of six months to file the return, instead of the usual three months. The six-month filing extension will apply to tax years beginning in 2017. Even though the six-month extension will automatically apply, taxpayers need to file the automatic extension request no later than the date established for filing the 2017 income tax return (i.e., 17 April 2018, for calendar-year taxpayers). Taxpayers receiving the six-month automatic extension will not be granted an additional three-month extension, as their total extension period may not exceed six months.

For regular corporations and limited liability companies (LLCs) that must file Form 480.2, *Corporations Income Tax Return*, the six-month automatic extension **will only** apply if the taxpayer files the corporate income tax return electronically in accordance with the provisions of Circular Letter (CL) 18-03.<sup>1</sup> Regular corporations that must file the 2017 tax return on paper because they may not file electronically under CL 18-03 may also qualify for the six-month extension. Regular corporations and LLCs that do not meet these requirements (electronic

filing and eligible paper filing option) will maintain and continue with the standard three-month extension for filing the 2017 tax return.

Conduit entities with a tax year that closed on 31 December 2017, that submitted an automatic extension request by 15 March 2018, will automatically have until

17 September 2018, to file Form 480.2 (EC), *Income Information Return of Conduit Entities*, and Form 480.6 EC, *Conduit Entity Information Statement*, for tax year 2017.

The automatic extension request does not extend the payment due date. Taxpayers must pay any tax due at the time they file the automatic extension request.

### Summary table of extended due dates

Taxpayers	Original due date for tax return filing	Requirements to be eligible for extended due date	Extended due date for tax return filing
Individuals	17 April 2018	Submit automatic extension request on or before original due date	17 October 2018
Individuals and estates eligible for additional three-month extension	17 April 2018	Submit automatic extension request on or before original due date	17 October 2018 (without need to file additional extension on 17 July 2018)
Regular corporations and LLCs (including those allowed to file in paper form)	17 April 2018 (calendar year) or applicable due date (fiscal years that commenced in 2017)	Submit automatic extension request on or before original due date <b>Must</b> file final income tax return electronically	17 October 2018
Regular corporations and LLCs not filing electronically	17 April 2018 (calendar year) or applicable due date (fiscal years that commenced in 2017)	Submit automatic extension request on or before original due date	17 July 2018
Other corporations (e.g., tax incentives corporations filing Form 480.30II, and life insurance companies filing Form 480.40D or Form 480.40F)	17 April 2018 (calendar year) or applicable due date (fiscal years that commenced in 2017)	Submit automatic extension request on or before original due date	17 October 2018
Conduit entities (partnerships, LLCs with election or statutorily required to be partnerships)	15 March 2018	Submit automatic extension request on or before original due date	17 September 2018 (automatic six-month extension)

### Balance due on 2017 tax return – request to forgive surcharges

All taxpayers that fail to pay the tax due by the original due date for filing a tax return are generally subject to interest and surcharges for late payment. For 2017 returns, however, taxpayers may request forgiveness of applicable late payment surcharges, if they satisfy the following requirements:

- ▶ Submit an automatic extension request no later than the due date for the 2017 tax return
- ▶ File the 2017 tax return no later than six months from the original due date for filing the return
- ▶ Submit the full tax payment, including any accumulated interest, with the 2017 tax return

With the request for the forgiveness of surcharges, a taxpayer must include a statement explaining the reasons the taxpayer did not pay the tax by the original tax return due date. Taxpayers required to file electronically must submit the statement electronically.

Taxpayers that do not file for extension and file their 2017 tax return by 17 April 2018, or by the 15th day of the fourth month following the close of the tax year, but cannot pay the tax due with the return, may follow the procedure for the forgiveness of surcharges. In this case, taxpayers will be required to pay the full amount due with accumulated interest no later than six months from the date established for filing the tax return.

### **Forgiveness of penalties for failing to pay estimated tax**

A 10% penalty generally applies to individual and corporate underpayments of quarterly estimated taxes. For tax year 2017, taxpayers may request forgiveness of the 10% penalty if they satisfy the following requirements:

- ▶ Paid the first two installments of estimated tax for the tax year
- ▶ Paid the full amount of the tax due for tax year 2017 no later than the due date for the 2017 tax return, excluding extensions

With the filed tax return, the taxpayer must include the amount of the penalty on Schedule T, *Individual* or Schedule T, *Corporation*. If the taxpayer complies with the terms and conditions established in AD 18-07 and qualifies for penalty forgiveness, the taxpayer will not be required to pay the penalty.

To request penalty forgiveness, a taxpayer must submit a copy of its filed 2017 tax return and a letter in which the taxpayer requests forgiveness as provided under AD 18-07. Those documents must be submitted by email to [infosac@hacienda.pr.gov](mailto:infosac@hacienda.pr.gov) or in person at any of the Taxpayer Service Centers.

## **Implications**

Although taxpayers may receive an automatic six-month return filing extension upon request, they still must request the extension by return's original due date. Taxpayers required to make estimated tax payments for tax year 2018 should pay attention to the estimated payment due dates, as the six-month extension does not apply to estimated tax payments.

The estimated tax penalty relief provided under AD 18-07 applies to tax year 2017 and includes fiscal-year taxpayers whose tax years commenced in calendar year 2017; therefore, the relief does not apply to taxpayers that failed to make their last estimated tax payment in September, October or November of 2017 (tax year 2016).

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### **Endnote**

1. See EY Global Tax Alert, [Puerto Rico's Treasury Department issues guidance for e-filing of corporate income tax returns for tax year 2017](#), dated 27 March 2018.

For additional information with respect to this Alert, please contact the following:

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