

NOVEMBER 15, 2011

IMPORTANT TAX NOTICE



NEW INCOME TAX AMNESTY IN EFFECT FROM NOVEMBER 7, 2011 UP TO FEBRUARY 29, 2012

On November 7, 2011, the Governor of Puerto Rico signed the Act No. 218 known as the "Law for the Strengthening of Security and Public Health". This Act was created to authorize and implement a new tax amnesty that provides a relief from the payment of interest, surcharges, penalties and other additions to the amounts due in respect with income tax and the special tax on real property. Below is a summary of the benefits of this Act:

A. Relief from interest, surcharges, penalties and other additions

- Every taxpayer who on or before February 29, 2012 paid in full the tax due owed for income taxes (including withholding taxes and those imposed by the Insurance Code), inheritance and gift tax and / or special tax on real property shall be relieved of payment for interest, surcharges, penalties and other amounts so added. These taxes should have been imposed under Subtitle A of the Internal Revenue Code of 1994, as amended, and include debts under payment plans or payroll deduction.
- In cases on which the amounts have already been assessed, you must pay the amount shown as principal, no matter such amount include interest or penalties.
- The taxpayer must indicate the taxable year or notification of tax

due to which the payment should be applied.

- Would not be accepted partial payments.
 - In cases in which the debts can not avail themselves of the amnesty, interest, surcharges and penalties will be imposed from the original due date of the tax due.
- ### B. Who can benefit from this amnesty?
- Every taxpayer with an income tax debt and / or special tax on property, including:
 - i. Taxpayer in the process of administrative investigation, they may be eligible for amnesty for that income items detected or under investigation, provided they pay the contribution for these quantities.
 - ii. Taxpayers who are in administrative procedures for notification of deficiency, or in cases that they have already received final notice of deficiency or has contested a tax deficiencies. In this cases, they can be eligible for the amnesty if the pay in full the final determination issued by the Secretary.
 - iii. Taxpayer with legal lawsuit challenging a deficiency, provided that no sentence has been handed to the date of the enactment of this law. In this case, the taxpayer

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must pay the entire debt and such payment shall constitute sufficient cause for the case file.

C. Process to qualify for the Amnesty.

- Make full payment of the tax due on or before February 29, 2012. However, the Act authorizes the Secretary to approve payment plans, under such terms and conditions established by regulation or other written document, as long as the same become due on or before June 30, 2012, and the payment plan is requested on or before February 29, 2012.
- The taxpayers could objected tax debts which appear as due in the records of the Treasury Department, provided that the claim is made on or before February 29, 2012. If the

Treasury Department determines that the objection is correct, the correct outstanding debt may qualify for amnesty even after the February 29, 2012, provided that the payment is made within 30 days after notification of the determination of the Secretary.

- The payment must be made in any of the Internal Revenue Collection Offices of Puerto Rico ("Colecturias") in cash, wire transfer, certified check, debit or credit card, cashier's check or money order. **NO PERSONAL OR CORPORATE CHECKS WILL BE ACCEPTED.**

D. Who can not participate in the amnesty?

- Exempt Corporations under any Tax Incentives Act.
- Elected Government Officials.
- Taxpayers with pending criminal proceedings for any tax offense.

- Taxpayer convicted on charges of tax fraud or whose source of income is derived from illegal activities.

In addition, please be aware that the Secretary of the Treasury should issue the required regulations and rules for the administration of the tax amnesty. Also, the Law provides that funds collected from this amnesty will be used for all the activities related with public security and health, including salaries, equipment, cars and others matters.

We recommend to all our clients and friends to request a debt certification from the Treasury Department as soon as possible to verify any outstanding debts that could be pay using the benefits provided by the tax amnesty.

FOR ADDITIONAL INFORMATION, PLEASE CONTACT US AT 787.793.4650:

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