

NOTICE TO CLIENTS AND FRIENDS

PRTD Circular Letter No. 17-07: Requirement of Electronic Notification on the Holding of Tax Credits

On April 17, 2017, the Secretary of the Puerto Rico Treasury Department (the “PRTD”) published Internal Revenue Circular Letter No. 17-07 (“CL 17-07”) whereby specific filing requirement via Form 480.71 is imposed on tax credit holders (“Transferors”) and on the acquirers of said tax credits (“Transferees”). The tax credits affected by CL 17-07 are detailed in Form 480.71. Accordingly, please find below a summary of the filing requirements for each party.

Transferors

Transferors must electronically file Form 480.71 on or before **May 15, 2017**, informing the PRTD of any portion of tax credits that were not sold as of April 19, 2017 and that (i) is being claimed or will be claimed against the income tax return for taxable year 2016; (ii) is available to be claimed against the income tax return for taxable year 2017 and/or subsequent year; or (iii) is available for sale after April 19, 2017. Additionally, Transferors must include the following information on Form 480.71:

- Act under which the tax credit was granted;
- Total amount of original tax credit granted;
- Total amount of original tax credit granted that was sold as of April 19, 2017 and/or claimed by the Transferor on its income tax returns previous to taxable year 2016; and
- Total amount of original tax credit granted that is being claimed or will be claimed by the Transferor on its income tax return for taxable year 2016.

Transferees

Transferees must file Form 480.71 on or before **May 15, 2017**, informing the PRTD of any tax credits acquired as of April 19, 2017. More specifically, Transferees shall include on Form 480.71 the following:

- Act under which the tax credit was granted;
- Balance of the tax credit acquired as of April 19, 2017 that has been claimed or is available to be claimed on its income tax return for taxable year 2016 and/or subsequent years; and
- Amount of the tax credit acquired as of April 19, 2017 that has been claimed or will be claimed on its income tax return for taxable year 2016.

CL 17-07 further provides that failure to comply with the electronic filing requirement of Form 480.71 will deprive the Transferor of their right to sell or claim said credit in the income tax return for taxable year 2016 or subsequent taxable years and the Transferee from claiming said credit in the income tax return for taxable year 2016 or subsequent taxable years.

This document has been prepared for information purposes only and is not intended as, and should not be relied upon as legal advice. If you have any questions or comments about the matters discussed in this notice, wish to obtain more information related thereto, or about its possible effect(s) on policy or operational matters, please contact us.