



TAX INSIGHTS



New Year's Checklist: Stay Ahead of your Taxes (Part II) Planning for next year's filings.

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This is the second article of the two-part series dedicated to topics to discuss with your tax advisor at the beginning of the year. If you missed the first edition refer to [New Year's Checklist- Stay Ahead of your Taxes \(Part I\) Planning for current year tax filings | Grant Thornton](#)

In our last article, we summarized the benefits of having a strategy call with your tax advisor to address items affecting your tax liability for the year-end early on. In this article, we will address key areas to consider that will help you proactively address aspects of the tax year currently in place.

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**Collaborated in the preparation
of this article.**

Discounts available for early tax payments

Municipal license tax

The PR Municipal Code requires the payment of the municipal license on the first 15 days of the semester for the business year. In addition, the Volume of Business Declaration must be filed 5 business days after April 15 of each taxable year. If the full year payment is made by the original filing due date of the Volume of Business Declaration, without considering extensions, there is a 5% discount over the tax assessed. The business may request an extension to file the declaration and be entitled to the discount if full payment is made by the original due date.

Real and personal property tax

The PR Municipal Code provides a discount on the payment of the real state tax for those taxpayers that make payments within 30 or 60 days after the notification is received. If the payment is made no later than 30 days after the emission of the receipt, a 10% discount is granted. A 5% discount is given to those that pay no later than 60 days after the receipt

is emitted. On the other hand, taxpayers could have a 5% discount when they made their full payment of personal property in conjunction with the personal property tax return. As with the volume of business declaration, the business may request an extension to file the declaration and be entitled to the discount if full payment is made by the original due date.

Consider harvesting capital gain losses

During the tax planning process, a taxpayer may consider harvesting capital gains or losses if a significant capital gain or loss is anticipated to be realized in the current tax year. In addition, the planning could include the utilization of any capital loss carryover that may expire soon.

For corporations, the PR Code limits the losses allowed up to the one generated for the taxable year. Taxpayers other than corporations, such as individuals, are allowed to claim a capital loss from the sale or exchange of a capital asset to the extent of the gains generated during the taxable year. If losses exceed the gains for the taxable year, the deduction is limited to not be less than the net income or \$1,000.

Considerations for new businesses

Once a new business has its plans and projections in place, it should estimate its income tax burden based on relevant provisions in the Puerto Rico Code. Additionally, the timeline required by different agencies and the Treasury Department must be understood and followed to avoid delays or penalties. Please note that not all agencies offer first year waivers for the payment of estimated taxes.

For more information of relevant taxes applicable to new businesses in PR read our article [Are you looking to start a business in Puerto Rico?](#) | [Kevane Grant Thornton](#)

Capitalize on deductions available for individuals

Contributions to Investment Revenue Accounts "IRAs" and certain Education savings accounts are one of the few ways that allow an individual to reduce their previous year's contribution after the end of the year. Contributions made on or before the deadline for filing the Tax Return for the taxable year, including any extensions granted, are considered made on the last day of the taxable year for which the Tax Return is been filed.

In addition to reducing their tax burden, individuals are able to simultaneously establish financial stability in their retirement and future

years. Keep in mind that the tax deduction does not apply for the year in which the individual (or their spouse) reaches the age of 75 years. Another limitation is that individuals may claim deductions for up to \$5,000 for individual filers and \$10,000 for married filing jointly, depending on the filing status.

For more information regarding IRAs and other type of deductions please read: [Puerto Rico Income Tax Deductions: A Step-by-Step Guide for Individual Taxpayers | Grant Thornton](#)

Education Savings Accounts (ESAs)

Some Individuals may have the opportunity to use the allowed deduction for education savings. The PR Code allows to deduct cash contributions to a My Future Account and/or ESA, up to \$500 per beneficiary younger than 26 years old, per account.

401K Retirement Plan

Meanwhile, to keep getting ahead of your retirement plan, it is recommended to review if your company has a 401K Retirement Plan and if that is true, access what are its requirements, if there is an employer match contribution and for how much can you increase your contribution if the plan based on the limits provided by section 1081.01 of the PR Code.

If your employer matches your contribution, that is an even better deal. For retirement plans qualified under the PR Code, you can assess increasing your contribution to the maximum deferrable amount of \$15,000. However, any amount exceeding that quantity will be taxable. An additional contribution of \$1,500, better known as “catch-up”, is allowed as a deferment of income when the employee reaches 50 years of age.

It will be helpful to review if at the moment the amount you saved is enough for your planned retirement age. As part of retirement planning, an annual review of the cost of life must be done.

Review of withholdings on wages

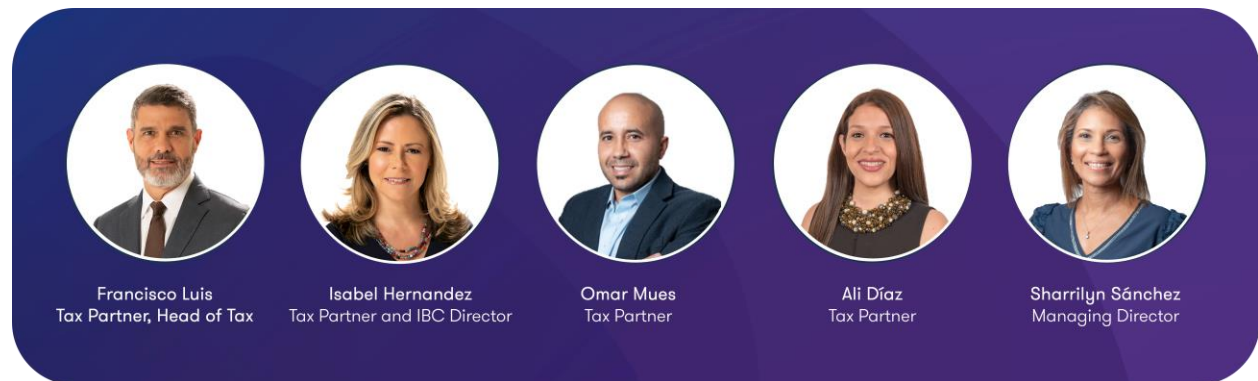
The beginning of the year is the right moment to review if the past withholdings on wages to manage your tax contribution worked efficiently in your favor without under/over depositing. We want to be able to pay for our taxable responsibility in the best way while reducing our taxes. As a Puerto Rican employee, an individual must review the taxes owed for the year and any changes in family composition, salary, or any other relevant circumstance. Any change in the previously

mentioned factors should be notified to the employer using Form 499 R-4 Withholding Exemption Certificate.

We have experienced tax professionals who are available to discuss your checklist and ensure no opportunities are missed. Contact us at your earliest convenience to coordinate a meeting and help you navigate these matters.

We are committed to keeping you informed of all the latest developments in laws and regulations that affect businesses in Puerto Rico. We can help you navigate the complex tax landscape to ensure that you are taking advantage of all the available benefits. Contact us today to learn more about how we can help you.

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