

# PRESS RELEASE

TRANSLATION



## Office of the Secretary

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### TREASURY ANNOUNCES MEASURES TO STRENGTHEN EFFORTS AGAINST TAX EVASION

***Makes tax evasion referrals to the Department of Justice, launches media campaign against SUT related tax evasion and announces hiring of new fiscal oversight personnel***

**(San Juan, Puerto Rico)** – Today, Treasury Secretary Melba Acosta Febo announced that the Treasury has adopted significant additional measures as part of its comprehensive plan to continue strengthening the agency’s fiscal oversight efforts. These measures include: referring three tax evasion cases against corporations to the Department of Justice for the illegal appropriation of over \$3.6 million in public funds; launching a media campaign against Sales and Use Tax (SUT) related tax evasion; and hiring additional fiscal oversight personnel.

“The Treasury Department is tackling tax evasion from multiple angles: promoting legislation to facilitate the Treasury Department’s fiscal oversight efforts; strengthening the Treasury’s fiscal oversight arm; recruiting more inspectors, agents and new specialized personnel; conducting raids on businesses for SUT-related tax evasion; investigating and referring cases to the Department of Justice; collaborating and exchanging information with federal authorities; and educating debtors on their responsibilities and the applicable fines for failing to fulfill obligations under the Internal Revenue Code,” Acosta Febo stated.

Acosta Febo indicated that the suspected violations of the Internal Revenue Code by corporate taxpayers in the cases that were referred to the Justice Department include Sales and Use Tax payment evasion, failure to remit to the Treasury Department employer contributions withheld from salaries, and failure to file Income Tax Returns for taxable incomes.

“These are just the first cases referred to the Justice Department out of 200 notices sent out by the Treasury Department in June, and involve the biggest SUT debtors and corporations that have failed to remit employer contributions withheld from salaries to the Treasury Department, as well as a corporation that failed to file certain income tax returns even though it earned taxable income. The other investigations are ongoing,” Acosta Febo said.

The Secretary also announced a media campaign that aims to reduce SUT related tax evasion among business owners, and highlights different modalities of SUT tax evasion and the criminal and civil consequences for tax evaders. This campaign will be launched on Thursday, November 14 and will include radio, written press, TV, and digital media.

Acosta Febo also pointed out that businesses' failure to collect the SUT and failure to remit to the Treasury Department SUT that has been collected are subject to a civil action (i.e., a fine, penalty and interest thereon), as well as aggravated illegal appropriation, provided the omission is proven to have been voluntary and with the intent to evade or defeat tax payment, as those are public funds. The punishment for said crime is up to 5 years in prison for each count (1 count for each omission). Moreover, persons who fail to file SUT returns would be committing the crime detailed in Section 6030.11 (Penalty for Failing to File Returns or Statements) of the [tax code]. Similarly, the punishment for this crime is up to 5 years in prison for each count (1 count for each monthly return). Finally, persons who file monthly returns that contain false or incorrect information with the purpose of evading or defeating tax payment would be committing the crime provided in Section 6030.16 of the Code (Penalty for Filing Fraudulent Returns, Statements, Sworn Statements and Claims), for which the punishment is up to 5 years in prison for each count (1 count for each false and fraudulent monthly return).

Acosta Febo explained that in addition to the media campaign and the administrative and legislative initiatives, measures to enhance capture and reduce evasion of SUT also include an intensive recruitment program that began last August and is aimed at strengthening fiscal oversight efforts. By December 31, 2013, a total of 188 specialized employees will have been recruited.

In August, sixty-two auditors were recruited for the Consumption Tax and Fiscal Audits Bureaus. In November, seventeen Internal Revenue agents joined the Consumption Tax Bureau. By December 1<sup>st</sup>, there will be an additional seventy-three Internal Revenue agents in the Consumption Tax Bureau, some of which will be charged with the Treasury Department's new assignment of collecting use tax on the ports effective on December 2013. Also in December, seventeen Special Fiscal Agents will be recruited for the Tax Crimes Auxiliary Division and another nineteen Tax Auditors, for Fiscal Audits. In January 2014, 7 Special Fiscal Agents will be recruited for the Tax Crimes division in the Ponce and Mayagüez districts.

Fiscal oversight measures also include new audits focused on changes to Act 40, particularly with regard to the elimination of the reseller's exemption certificate; the implications of several exemptions under the Business to Business (B2B) concept; sending collection letters and filing possible civil actions against companies that executed payment plans with Treasury during the last tax amnesty and then stopped sending the monthly payments.

"We are meeting with representatives from the companies that were most affected by the changes in B2B SUT exemptions to ensure that they have fully understood the changes and are implementing them correctly," she added.

Acosta Febo emphasized that the Treasury Department is backing legislative measures, including requiring additional information from certain taxpayers and obtaining legal authorization to publish information on debtors in default, subject to strict requirements of qualification, validation and prior notice, guaranteeing due process of law, as is done in several US states, such as California, Colorado, Georgia, Louisiana Connecticut, Washington, Kentucky, among others.

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