

January 4, 2016

Tax Update

New Treasury Publications – 4% Special SUT Return and Effectiveness of the VAT

On December 29, 2015, the Puerto Rico Department of the Treasury (“Treasury”) issued Administrative Determination No. 15-25 (“AD 15-25”) and Administrative Determination No. 15-26 (“AD 15-26”). Below we summarize the most significant provisions of these publications.

AD 15-25

As discussed in our Legal Update of [September 11, 2015](#), effective for the reporting period of October 2015, the “Monthly Sales and Use Tax Return Applicable to Services Rendered to Other Merchants and Designated Professional Services” (Form SC 2915 F) (“Special SUT Monthly Return”) was created to report transactions subject to the 4% state level sales and use tax (“4% Special SUT”).

Pursuant to AD 15-25, retroactively effective as of October 30, 2015, a merchant that complies with the following two requirements **will not** have to file the Special SUT Monthly Return:

- (1) merchants that are only engaged in the sale of tangible personal property or other goods; and
- (2) that have not received, in the month in which the Special SUT Monthly Return is filed, services rendered by a non-Puerto Rico resident for which the 4% Special SUT shall be self-imposed.

You may access AD 15-25 (in Spanish) [here](#).

AD 15-26

As discussed in our Legal Update of [June 2, 2015](#), effective April 1, 2016, the new value added tax (“VAT”) would be imposed on the introduction of taxable items to Puerto Rico and on the sale or transfer of taxable goods and services and combined transactions. AD 15-26 is the first of a series of publications to be issued by Treasury in connection with the VAT.

According to AD 15-26, the VAT will become effective in phases. The first phase will become effective on April 1, 2016, and the second phase will become effective on June 1, 2016.

The following Phase One items will become effective on **April 1, 2016**:

- The imposition of the VAT rate of 10.5%. Services subject to the 4% Special SUT will be subject to the 10.5% VAT effective on April 1, 2016.
- The VAT credits, including credits for business inputs



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- Fiscal vouchers, debit and credit notes
- The new tool to be used for payment, collection and remission of the VAT (to be partially available on April 1st).

The following Phase Two items will become effective on **June 1, 2016**:

- The refund for VAT paid in excess, which cannot be claimed until after June 1st
- Eligible Resellers under the current sales and use tax (“SUT”) regime will continue to have their exemption until June 1st.

The current SUT certificates will continue to be effective until new VAT certificates are issued.

You may access AD 15-26 (in Spanish) [here](#).

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