

June 2, 2016

Tax Update

Treasury issues Transitional Guidance after VAT Repeal

As indicated in our [May 26, 2016](#) Legal Update, the Substitute Bill to HB 2032, HB 2838, HB 2839 and HB 2840, which eliminated the value added tax (“VAT”) provisions of the Puerto Rico Internal Revenue Code of 2011, as amended (the “Code”), was approved by more than 2/3 of both the Puerto Rico Senate and House of Representative’s members, becoming Act 54-2016.

As a result, on May 31, 2016, the Puerto Rico Department (“Treasury”) issued Administrative Determination No. 16-09 (“AD 16-09”) to: (i) notify taxpayers of the repeal of the VAT, (ii) repeal the previously issued VAT publications and (iii) provide information regarding the sales and use tax (“SUT”) provisions still in effect and certain transition measures adopted by Treasury as a result of the VAT’s repeal.

Sales and Use Tax

In AD 16-09 Treasury reiterates that, as a result of the VAT repeal, the SUT provisions of Subtitle D and DDD of the Code remain in effect. Therefore, the SUT shall continue to be imposed, collected and remitted on all sales transactions of taxable items and on the use, storage or consumption of a taxable item in Puerto Rico at the combined state SUT rate of 10.5% and 1% municipal SUT rate. In addition, Treasury stresses that the 4% SUT continues to apply to services rendered to other merchants and services rendered by designated professional services.

Treasury reiterates that only merchants with a valid Reseller Certificate and Municipal SUT Exemption Certificate will be able to claim credits for the SUT paid on the purchase and import of tangible personal property for resale.

SURI

Plans to implement Treasury’s Unified Internal Revenue System (“SURI” for its Spanish acronym) continue in place. Once completely implemented, SURI will integrate all the different tax systems Treasury manages to date. The first phase of SURI was scheduled to be launched by June 1st with the implementation of the VAT. However, because of its repeal, the first phase will be postponed. Thus, merchants shall continue to file the Monthly SUT Returns through the Merchants’ Integrated Portal (PICO, for its Spanish acronym).

Reseller Certificate and Municipal SUT Exemption Certificate, Manufacturing Plants Exemption Certificate and Eligible Reseller Certificate

As part of the VAT implementation process, Treasury had indefinitely extended the effectiveness of the Reseller Certificate and Municipal SUT Exemption Certificates and Manufacturing Plants Exemption Certificates. Pursuant to AD 16-09, such effectiveness will continue to be extended indefinitely.



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With respect to the Eligible Reseller Certificates, Treasury had extended their effectiveness until June 30, 2016. According to AD 16-09 such certificates will continue to be effective until June 30, 2016.

You can access AD 16-09 (in Spanish) [here](#).

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