

October 13, 2016

Tax Update

Treasury Issues Guidance on SURI and Merchant's Registration Certificates

On October 3, 2016, the Puerto Rico Treasury Department ("Treasury") announced the launch of the first of three phases of the Unified Internal Revenue System ("SURI" for its Spanish acronym). SURI is a new tool that will allow the integration of all of Treasury's systems in an effort to better manage the different taxes administered by the agency (*i.e.*, sales and use tax ("SUT"), excise taxes, licenses, among others).

In connection with SURI's launch, Treasury has issued Internal Revenue Circular Letter No. 16-12-RI ("IR CL 16-12") to: (i) provide additional information related to SURI, (ii) describe the changes to the Merchant's Registration Certificate ("MRC"), (iii) establish the process for existing merchants to update the Merchant's Registry and (iv) establish the process for requesting the new Provisional MRC.

Below is a summary of the most important aspects of IR CL 16-12.

SURI

As discussed in our [October 4, 2016 Legal Update](#), the first phase of SURI will incorporate all SUT-related tasks and will combine the following current SUT systems: the *Monthly Sales and Use Tax Filing and Payment System* (ivu.hacienda.gobierno.pr) and the *Merchant's Integrated Portal* ("PICO", for its Spanish acronym) (comerciantes.hacienda.pr.gov).

SURI will allow merchants to carry out, among others, the following transactions:

- Consult, update and modify the merchant's account;
- File or amend the Declaration of Imports, the Tax on Imports Monthly Return ("Imports Return") and the Monthly Sales and Use Tax Return ("Monthly SUT Return"), including prior periods;
- Make payments in connection with debts and declarations and returns;
- Request a new Merchant's Registration Certificate, make changes and notify cease of operations;
- Request a Certificate of Exemption for Manufacturing Plants, Eligible Reseller Certificate and Reseller and Municipal Exemption Certificate; and
- Claims.

Merchants can access SURI through Treasury's website www.hacienda.pr.gov, by clicking on the SURI link provided therein.

Changes to the MRC



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The following is a list of the most significant changes to the MRCs:

1. **MRC** – The new MRC will be letter sized (8 ½ x 11) and will be issued through SURI immediately upon request. The MRC will be printed by the taxpayer.
2. **Security** – New security measures have been put into place in order to corroborate the validity of a MRC.
3. **NAICS Code and Commercial Activity** – SURI will have the capacity to associate several NAICS Codes with one commercial location. That is, a merchant will no longer need multiple MRCs solely because of undertaking several commercial activities in the same business location.
4. **Validity of MRCs** – All MRCs will be valid for a period of two (2) years and shall be renewed depending on the last number of the merchant's employer identification number. That is, such last number will dictate the number of the month in which the merchant shall renew its MRC.

Merchant's Registry Update Process and Obtaining the New MRC – Registered Merchants

Starting on **October 15, 2016**, all registered merchants will have access to update their Merchant's Registry profile through SURI. The update process shall be completed on or before **November 20, 2016**, filing due date of the Monthly SUT Return for the month of October 2016. Such filing must be completed through SURI.

However, merchants that import merchandise shall update their profile on or before **November 10, 2016**, filing due date of the Imports Return.

Merchants that have merchandise to be declared as of October 31, 2016 shall update their Merchant's Registry profile through SURI on or before such date in order to be able to file the corresponding Declaration of Imports.

As part of the update process, the information that is currently registered in Treasury's systems will be automatically transferred to SURI. In cases where a merchant has more than one commercial location with the same physical address, the merchant shall consolidate such commercial locations. SURI will not allow multiple commercial locations with the same physical address.

In order to commence the update process, merchants with a valid MRC that have a PICO account will access SURI by using the current **PICO username and password**. On the other hand, merchants with a valid MRC that do not have a PICO account, shall access SURI by using their **Merchant Registration Number and corresponding PIN**.

The SURI registration and update process is mandatory for all merchants regardless of whether the merchant has been classified for SUT purposes as a withholding agent or a non-withholding agent.

Merchants will have full access to SURI once the conversion process ends on October 31, 2016. Once this conversion is completed, the merchants shall access SURI and print the new MRC. Note that the new MRC shall also be posted in a visible place to the public at all times.

SURI Registration – New Merchants

As of **October 31, 2016**, new merchants shall register and request the MRC through SURI. Once the registration process is completed, the merchant will be able to print the MRC.

New Provisional MRC

As part of setting up a business in Puerto Rico, financial entities and certain government agencies require merchants to provide a copy of the MRC. As a result, merchants are being required to obtain a MRC, even when the merchant does not have the intention of commencing operations immediately. This results in the merchant having the obligation to file Monthly SUT Returns in zero (\$0) for periods during which the merchant is not generating any economic activity.

As a result, as of October 31, 2016, merchants that will not commence their commercial activity within 30 days after the request of a MRC can request through SURI a Provisional MRC. The Provisional MRC will be valid for a period of 6 months. No extensions of time will be granted.

Having a Provisional MRC, however, will not exempt merchants from collecting the SUT in a taxable transaction that occurs prior to the expiration of the Provisional MRC. That is, although a merchant will generally not be required to file Monthly SUT Returns during the 6-month period of the Provisional MRC, SURI will allow a merchant to file a Monthly SUT Return if the merchant carries out a taxable transaction.

All merchants that plan to become engaged in any business in Puerto Rico shall register in the Merchant's Registry at least 30 days before commencing operations. Therefore, if the merchant will commence its commercial activities prior to the expiration of the Provisional MRC, such merchant shall request the MRC through SURI at least 30 days before commencing operations.

You may access IR CL 16-12 (in Spanish) [here](#).

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