

October 31, 2016

Tax Update

New Sales and Use Tax Filings Format in SURI

As part of the changes introduced by the new Puerto Rico Treasury Department's ("Treasury") Internal Revenue Unified System ("SURI," for its Spanish acronym), Treasury has issued Internal Revenue Circular Letter No. 16-13 ("IR CL 16-13") announcing the new electronic filing format for the sales and use tax ("SUT") returns.

Below is a summary of the most important provisions of IR CL 16-13.

Background

In general, merchants (classified as withholding agents) currently have the obligation to file a Monthly Sales and Use Tax Return, Form SC 2915A ("SUT Return"). Merchants that introduce tangible personal property to Puerto Rico shall also file a Declaration of Imports, Form SC 2970, ("Declaration") and a Tax on Imports Monthly Return, Form 2915D ("Imports Return").

In addition, there are currently three (3) separate forms used by merchants to report the SUT collected depending on the applicable SUT rate:

- (i) the SUT Return (used to report sales of taxable items subject to the 10.5% rate);
- (ii) the Monthly Sales and Use Tax Return Applicable to Pre-existing Contracts and Bids, Form 2915E ("PEC-SUT Return") and
- (iii) the Monthly Sales and Use Tax Return Applicable to Services Among Merchants and Designated Professional Services ("Special-SUT Return").

New Consolidated Return

In IR CL 16-13 Treasury establishes that, as of the period ending on October 31, 2016, a new electronic format that consolidates the SUT Return, the PEC-SUT Return and the Special-SUT Return will be used. Thus, the current individual SUT Return, PEC-SUT Return and Special-SUT Return will be filed until the period ended on September 30, 2016, which were due on October 20, 2016.

The new format will include all information currently included in the individual returns and will be available in SURI starting on November 1, 2016.

How to Complete the New SUT Return Format

The new SUT Return electronic format will require additional information, such as: (i) a report of all transactions subject to the SUT per registered location, (ii) a



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report of purchases to other merchants and (iii) a detailed list of the events for which a right of admission was charged, taxable or exempt.

Report of Transactions Subject to SUT per Registered Location

As of the period of October 2016, merchants obligated to file the Monthly SUT Return shall provide a detailed summary of all transactions that occurred during the period for each commercial location. SURI will identify all registered commercial locations and will allow merchants to include the information for each location individually.

Merchants that do not have sales or transactions in a particular active location shall indicate this in the space provided as part of the filing process. Including zero (\$0) amounts will not be sufficient.

Report of Purchases to Other Merchants

Merchants obligated to file the SUT Return and that have purchased taxable or exempt property for resale (inventory not imported to PR) from other merchants, shall report such transactions by submitting a detailed description of each purchase. Under the new SUT Return electronic format the merchant shall provide information of the supplier such as: name, merchant registration number, description of the purchased merchandise, reference number of the commercial invoice, value of the exempt or taxable merchandise, among others.

Detailed List of the Events for which a Right of Admission was Charged

A merchant obligated to report sales of admission rights shall provide the following additional information in the new SUT Return electronic format: (i) name of the event, (ii) starting and ending date of event, (iii) amount charged for the right of admission and (iv) value of the exempt admissions.

Other New Functions

With the new SUT Return electronic format merchants will have available an excel spreadsheet which, once completed, may be uploaded to SURI and will allow the merchant to automatically complete the electronic SUT Return format. You can find an example of the excel spreadsheet in **Spanish** [here](#) and in **English** [here](#).

The new SUT Return format will now include a newly created taxpayer identification number assigned by SURI, which will be used in lieu of the employer identification number or social security number.

Further, Treasury clarifies that it will consider the SUT Returns as timely filed if the filing process is initiated and the return is submitted no later than the corresponding due date, provided that if the due date is a Saturday, Sunday or a holiday, the filing due date will be the next business day.

Other Requirements

As of October 31, 2016 all SUT-related transactions shall be completed through SURI. That is, all official SUT-related returns will be substituted by the electronic formats produced by SURI.

All SUT Returns to be filed for periods prior to October 2016 will be printed in the new electronic format which will have lines similar to those included in the prior official formats. However, lines related to the carryforward of credits will not be

populated since SURI will reflect these balances in the merchant's SURI account under the report identified as "My Credit Balance."

In the case of the monthly returns for periods from August 2014 through September 2016, SURI will provide a tab for each return that should have been filed (i.e., SUT Return, PEC-SUT Return and Special-SUT Return). On the other hand, for SUT Returns for periods prior to August 2014, SURI will provide a tab identified for each of the merchant's active locations, where the merchant shall provide the information in accordance with the rules applicable to such periods.

You can find a guide for the preparation of the electronic format for the Monthly Sales and Use Tax Return for SURI (in Spanish) [here](#).

You can find copy of IR CL 16-13 (in Spanish) [here](#).

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