

PR Treasury Issues Guidance on SUT Reporting and Establishes Effective Date of the VAT Provisions

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PRACTICE AREAS

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Sales and Use Tax Reporting

On December 29, 2015, the Puerto Rico Department of the Treasury (“Treasury”) issued **Administrative Determination 15-25** to exempt merchants engaged only and exclusively in the sale of tangible personal property, and that do not receive services from Puerto Rico non-residents during a reporting month, from the requirement to file a Monthly Sales and Use Tax Return Applicable to Services Rendered to Other Merchants and Designated Professional Services (Form AS 2915.1 F).

Value Added Tax Provisions

On December 29, 2015, Treasury also issued **Administrative Determination 15-26** to establish that provisions of the Value Added Tax (“VAT”) in the Puerto Rico Internal Revenue Code of 2011, as amended (the “Code”) will become effective in two phases starting on April 1, 2016.

Phase One Effective April 1, 2016

- The 10.5% VAT will apply to all taxable transactions, including services currently subject to the special 4% sales and use tax (“SUT”).
- Merchants can claim the VAT credit provided in Code Section 4150.02 (related to the input VAT).
- Treasury will temporarily accept fiscal statements, debit notes and credit notes through an alternate or manual method.
- Certificates issued under the SUT provisions of the Code (i.e., Merchants Registration Certificate, Exemption Certificate, Collection Waiver Certificate, Reseller Certificate, Certificate for Exempt Purchases and the Eligible Reseller Certificate), will remain in effect until new certificates are issued under the VAT regime.
- Eligible Resellers will maintain their SUT exempt status until June 1, 2016.
- The new technological tool for complying with the VAT regime will be partially available prior to April 1, 2016.

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Phase Two Effective June 1, 2016

- Merchants can start requesting refunds for the VAT over-payments, as provided in Code Section 4150.04.

The above determinations will be effective immediately and will remain in effect until Treasury issues further guidance on the mechanisms for implementing the VAT and the applicable transition rules.

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