



Tax



Purchases



Checklist

# Tax Insights: Sales and Use Tax – Top 10 List

July 19, 2017

Understanding the complexity of Puerto Rico Sales and Use Tax (“SUT”) is a great challenge for most merchants even though it was enacted more than ten years ago in November 2006. Furthermore, during the past years there have been changes that significantly affected the Puerto Rico SUT. As a result, for the merchants, it is very difficult to keep track of all applicable rules and regulations.

To provide basic guidance and understanding of the current rules, following is a list with the **top 10 SUT tips** that will help your business comply. These tips are a starting point to address SUT issues within your company:

1. All locations must be registered in SURI and IVU Loto Program
  - a. in the case of new merchants, registration must be done 30 days before commencing to operate a business.
  - b. in the case of existing merchants, as of October 15, 2016, they were required to proceed with the SURI validation and registration process. Nonetheless, SURI became effective on October 31, 2016.
  - c. even though the IVU Loto raffles were eliminated, merchants are still required to register in the IVU Loto Program.
2. Renewal of certificates
  - a. Merchant Registration Certificate (“MRC”) – 2 years
  - b. Reseller & Municipal SUT Exemption Certificate, Eligible Reseller Certificate, Exemption Certificate for Manufacturing Plants – 1 year
3. Show all business activities in the MRC and use the correct NAICS code
  - a. the PRTD is using the five-digit version of the 2012 NAICS codes.
4. Collection and remittance of SUT
  - a. withholding agents are required to collect and remit the SUT to the PRTD.
  - b. withholding agents are required to always file the SUT Monthly Returns.
5. Due date of the SUT returns
  - a. the Tax on Imports Monthly Return must be filed no later than the 10<sup>th</sup> day of the following month in which the property was imported.
  - b. the SUT Monthly Return and Municipal SUT Monthly Return must be filed no later than the 20<sup>th</sup> day of the following month in which the taxable transaction occurred.
6. Not all Municipal SUT Monthly Returns are filed through COFIM
  - a. there are various municipalities that have created their own portals (i.e. Bayamón, Carolina, San Juan and Trujillo Alto).

7. Filing a Declaration of Imports when taxable items are imported into Puerto Rico
  - a. effective August 1, 2014, every merchant that imports tangible personal property into Puerto Rico, by any means, including postal services, air carrier, maritime or any other method must submit a declaration.
  - b. in the case of maritime carrier, the declaration must be filed as a prior requirement for taking possession of the imported tangible personal property.
  - c. in the case of air carrier, even though the merchant already has possession of the tangible personal property, it must file a declaration.
  - d. effective August 1, 2017, municipalities will no longer be collecting the 1% municipal portion corresponding to the imports for “use” in the business, thus allowing the PRTD to collect such tax and remitting it to the municipalities on a monthly basis.
  
8. Auto-imposition of the 4% Special SUT when services are received from a merchant that is a non-resident of Puerto Rico
  - a. for taxable services, services rendered to other merchants and designated professional services rendered on and after October 1, 2015, by a non-resident person to a person located in Puerto Rico, regardless of the place where the service was rendered, the person responsible for the payment must be the person who receives the service in Puerto Rico.
  
9. Supporting documents for exempt transactions
  - a. Certificate for Exempt Purchases and for Services Subject to the 4% Special SUT (Form AS 2916.1)
  - b. copy of the Merchant Registration Certificate
  - c. purchase Order
  - d. copy of the Exemption Certificate for Manufacturing Plants, if applicable
  - e. copy of the Tax Decree, if applicable.
  
10. Avoid penalties
  - a. merchants should try to avoid penalties related to late filing, late payment, failure to display Merchant Registration Certificate, failure to notify changes, failure to remit the SUT, failure to keep documents in compliance, among others.

Common errors in SUT could cost your company more than 150,000 in the average. Our experts can help you to identify those errors through the performance of an IVU Check Up.



**María de los Angeles Rivera**  
 Partner Head of Tax and  
 IBC Director  
 Kevane Grant Thornton  
 E [maria.rivera@pr.gt.com](mailto:maria.rivera@pr.gt.com)



**Lina Morales**  
 Tax Partner  
 Kevane Grant Thornton  
 E [lina.morales@pr.gt.com](mailto:lina.morales@pr.gt.com)



**Francisco Luis**  
 Tax Partner  
 Kevane Grant Thornton  
 E [francisco.luis@pr.gt.com](mailto:francisco.luis@pr.gt.com)



**Isabel Hernández**  
 Tax Partner  
 Kevane Grant Thornton  
 E [isabel.hernandez@pr.gt.com](mailto:isabel.hernandez@pr.gt.com)



DISCLAIMER: This update and its content do not constitute advice. Clients should not act solely on the basis of the material contained in this publication. It is intended for information purposes only and should not be regarded as specific advice. In addition, advice from proper consultant should be obtained prior to taking action on any issue dealt with this update.

© 2017 Kevane Grant Thornton LLP All rights reserved. Kevane Grant Thornton LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please visit [www.grantthornton.pr](http://www.grantthornton.pr) for further details.