

# Tax Alert: Proposed value added tax in Puerto Rico – Part I

Puerto Rico Legislature Bill No. 2329, better known as the Transformation of the Commonwealth of Puerto Rico Tax System Act, introduces a value added tax system in Puerto Rico.

In this, the first of a series of Tax Alerts devoted to describe the new system, we explain **several new terms** included in the Bill.

- **Value added tax (“VAT”) or also Goods and Services Tax (“GST”)** – is a form of consumption tax. The VAT is collected at every stage of the supply chain. The VAT will be borne by the final consumer of the goods and services.
- **taxable transactions** –
  - import of goods into Puerto Rico.
  - sale of goods and the rendering of services in Puerto Rico.
  - rendering of services by a non-resident person to a person in Puerto Rico.
  - combined transaction.
- **rules to determine the place of a taxable transaction** – In general
  - a good is considered sold in Puerto Rico if the good is located in Puerto Rico at the moment of the sale;
  - a service is considered rendered in Puerto Rico, if the service provider is a merchant (as defined),
  - a service provided by a nonresident person to a resident person, will be considered provided in Puerto Rico by the person that received the service.
- **merchant** – any person that is engaged in any type of business in Puerto Rico.
- **small merchant** – every merchant with gross sales of less than \$75,000.
- **eligible merchant** – every merchant with an annual volume of business in excess of \$500,000 for a three year period and that 80% of its total sales are subject to a tax rate of 0%. This merchant will be issued reimbursement of VAT by Treasury Department.
- **eligible consumer** -
  - every single and married person resident of Puerto Rico whose income is less than an amount that will be established by the Secretary. This amount should be published on or before October 15 of each year.
  - any resident of Puerto Rico that acquires goods under PAN and WIC programs.
  - any person that receives annuities or pensions (limited to \$5,000) from the U.S. and P.R. Government, and private companies.
  - an eligible consumer will receive regressivity relief three times a year.



**Contact us**  
 For assistance in this matter, please contact us via  
[maria.rivera@pr.gt.com](mailto:maria.rivera@pr.gt.com)  
[francisco.luis@pr.gt.com](mailto:francisco.luis@pr.gt.com)  
[javier.ovola@pr.gt.com](mailto:javier.ovola@pr.gt.com)



Adding true value means exceeding our clients' expectations, anticipating their needs and being proactive and innovative in the accounting profession.

Through the **Kevane Grant Thornton business and tax application for mobile devices** you will have access to our Alerts, Tax News and other related matters, plus a customized tax calendar for individuals, businesses and other entities, thus providing an excellent tool to manage filing and payment due dates with government agencies in Puerto Rico.

Download for free the application. Available for iPhone, Motorola and all tablets.



February 17, 2015

**Please contact our Tax Department should you require additional information regarding this or any other tax issue. We will be glad to assist you.**

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.

© 2015 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.kevane.com](http://www.kevane.com) for further details.