

Tax Update: Sales and Use Tax- important reminders

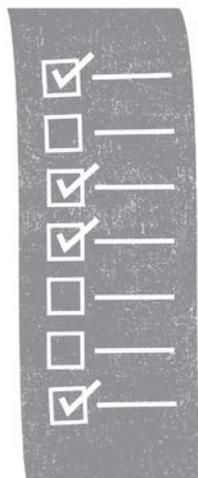
While the transition from our current Sales and Use Tax system (“SUT”) to a new Value Added Tax (“VAT”) is still under scrutiny, we need to re-focus on the current tax system components. The SUT still is one of the major collection mechanisms in Puerto Rico. Therefore, it is imperative that all businesses in Puerto Rico review their compliance with tax laws and regulations, especially those related to the SUT and its requirements.

The following paragraphs will list some of these requirements.

Certificates and Bonds

Merchants should be aware of the expiration date of their certificates:

- **Bond to guarantee the payment of taxes, fines, interest and penalties on articles for use and consumption** – (effectiveness of one year) allows for the deferral of payment of SUT on inventory introduced in Puerto Rico until the month following the month of introduction.
- **Eligible Reseller Certificate** – (effectiveness of one year) allows a reseller to introduce inventory for resale without paying SUT upon importation.
- **Reseller Certificate and Municipal SUT Exemption Certificate** – (effectiveness of one year) allows the reseller merchant to claim a credit for the SUT paid upon importation or purchase and provides for the exemption of the Municipal portion of the SUT.
- **Exemption Certificate for Manufacturing Plants** – (effectiveness for three years) allows manufacturers to introduce or acquire items for manufacturing with no SUT.



Contact us

For assistance in this matter, please contact us via maria.rivera@pr.gt.com or javier.oyola@pr.gt.com



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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.



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Filing of returns

The following returns must be filed through the PICO system:

- **Declaration of Imports** – the declaration must be filed and the tax paid as a prior requirement for taking possession of the imported tangible personal property (unless merchant is a bonded merchant).
- **Tax on Imports Monthly Return** – the return must be filed no later than the 10th day of the following month in which the property was imported.
- **Sales and Use Tax Monthly Return** – the return is due the 20th day of the following month in which the taxes were collected.
- **Municipal Sales and Use Tax Monthly Return** – the return is due the 20th day of the following month in which the taxes were collected.

Please keep in mind that the majority of municipal returns should be filed through the COFIM portal. However, there are various municipalities, like Carolina and San Juan, which have their own system for the filing of the returns.

Penalties

Merchants may be subject to penalties if they are not in compliance with the SUT requirements. Some of these are:

- failure to register = \$10,000
- refuse the installation or the use of a fiscal terminal (IVU Loto Registration) = \$20,000
- displaying a falsified Merchant's Registration Certificate = \$5,000
- failure to keep and maintain all documents evidencing exemptions and filings related to the SUT = penalties may vary from \$500 to \$20,000 for each violation

- failure to display the Merchant's Registration Certificate = \$1,000
- failure to notify changes or amendment to the required information and others = \$500.

SUT "Check Up"

In order to minimize any risk associated to a SUT audit conducted by the Puerto Rico Treasury Department to your business, **Kevane Grant Thornton** can perform a SUT "Check Up" to determine if the procedures followed by your business are in compliance with all the statutory requirements. By engaging in this type of review, we will verify if the procedures you have established are adequate and in compliance with the requirements of the law. At the end of the review, you will receive a full report detailing our findings and any possible exposure. In addition, we will provide our recommendations for improvements in any area found deficient.

The costs associated with an audit of SUT can rapidly accumulate taking into consideration that the penalties imposed by the SUT provisions are very onerous.

Nowadays, in the economic and challenging business environment that we are operating, the need to reduce possible penalties and exposure become vital for the survival and success of businesses in Puerto Rico.

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

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