

Tax Alert: Special Sales and Use Tax transition rules applicable to qualified contracts

On June 25, 2015, the Puerto Rico Department of Treasury (PRTD) published five communications that deal with the requirements that merchants must comply with in order to benefit from the transition rules included in Act 72-2015, applicable to the new Sales and Use Tax (SUT) rates effective July 1 and October 1, 2015.

Act 72-2015 includes important changes to the SUT rate.

- On **July 1, 2015** - the general state SUT increases from 6% to 10.5%.
- the Municipal rate remains at 1%.
- in addition, effective **October 1, 2015** until March 31, 2016, a 4% tax applies to services rendered to other merchants and to designated professional services.

The transition rules included in Act 72-2015 provide that in the case of preexisting contracts, the rates applicable to sales of taxable items pursuant to duly qualified contracts by the PR Secretary of the Treasury will be the rates that would apply to such sales as of June 30, 2015.

The communications issued by the PRTD on June 25, 2015 are:

- Tax Policy CC 15-08 – dealing with **returns of merchandise** after June 30, 2015.
- Tax Policy CC 15-09 – dealing with **preexisting contracts for the sale of taxable items**

- Tax Policy CC 15-10 – dealing with **Construction Projects**
- Tax Policy CC 15-11 – dealing with **preexisting contracts to provide services to other merchants (B2B) and designated professional services**
- Administrative Determination 15-10 – dealing with **sales of tangible personal property** before June 30, 2015 but not collected as of such date.

The following tables summarize the general provisions included in each of these communications. Please be aware of the due dates established for certification and or qualification of the contracts.

Special attention must be provided in the case of the contracts for which payment must be received on or before **June 30, 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.



Contact us

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



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June 25, 2015

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