



Tax



Purchases



Economy

Tax Alert: Five Q&A on the biweekly Sales and Use Tax Deposits in Puerto Rico

July 19, 2017

To provide guidance on the new requirements for the deposit of the sales tax, the Puerto Rico Treasury Department issued Administrative Determination 17-07 (DA 17-07) on July 28, 2017 with immediate effectiveness. Following we provide five basic questions and answers that will give you a head start to the new procedures.

What?

Act 46-2017 establishes the biweekly deposit of the sales tax (not for the use tax) that prior to its enactment was due on or before the 20th of the month following the month of the transaction subject to the tax. The new requirement calls for the deposit of the sales tax twice a month during the month of the transaction: first installment due by the 15th day of each month and the second installment due by the last day of the month. The use tax will continue to be due on or before the 20th of the month following the month of the transaction. According to DA 17-07, these new deposit rules only apply for now to the state portion of the tax. Therefore, the 1% municipal tax continues to be due on or before the 20th of the following month.

Who?

1. Large taxpayers or
2. Those merchants with monthly sales tax deposits for the prior year in excess of \$2,000. DA 17-07 provides a simple method:
 - a. for those that sell items subject to the 10.5%, this means annual sales of more than \$228,600.
 - b. merchants who sell items subject to the 4% will be subject to the new rules if their sales for the prior year exceeded \$600,000.

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This determination must be done on an annual basis. Deposited sales and use tax is the sum of the tax paid upon importations and purchases for resale and the sales tax collected on sales by the merchant.

Large taxpayers are defined as a taxpayer that is one of the following:

1. a commercial bank or Trust Company
2. a private bank
3. a brokerage firm
4. an insurance company
5. a telecommunications business or
6. an entity with a volume of business of at least \$50,000,000 during the previous year.

Special rules for merchants under payment agreements and voluntary collection agreements apply.

How?

The biweekly deposits must be made through SURI. You will find the “Realizar un depósito para el período” or Make a deposit for the period under de “Alerta de Cuentas” or Accounts alert menu on your Sales and Use account. Notify the Buyer of his/her obligation to pay the SUT on said transaction. This notification must be made on the invoice, bill or receipt that accompanies the transaction.

When?

Large taxpayers must start the biweekly deposits for the month of August (August 15 and August 31). All other merchants subject to the new rules, must start for the month of September (September 15 and October 2 since September 30 is a Saturday).

Why?

The Puerto Rico Treasury Department is looking for ways to accelerate the collection and deposit of the sales and use tax in addition for increased scrutiny to reduce the non-compliance of the rules and regulations. Even though we agree with the goal: increase collections, it is certain that these deposits during the month of the transaction will increase the cash flow pressure on accrual method merchants who need to deposit the tax before collecting it from their clients. Special attention must be paid to these cases and find a better way to monitor the compliance without increasing economic burden to these merchants. The sales thresholds established by the Simple Method are relatively low nowadays, so different limits may be established to merchants depending on their type of business, i.e. retail vs wholesale or credit sales.

We can help you determine whether your business will be subject to the new deposit rules for Sales and Use Tax. Contact our tax advisors.

Note: As highlighted in our July 1, 2016 Tax Alert, PROMESA seeks to provide Puerto Rico with fiscal and economic discipline through the creation of a control board, among other things. Virtually every fiscal decision by the Government of Puerto Rico will be made or approved by the Oversight Board created by PROMESA. On this regard, the board has authority to prevent the execution or enforcement of a contract, rule, executive order or regulation to the extent that it is inconsistent with the approved fiscal plan.

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



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